

*The* **MAGAZINE**  
*of* **WALL STREET**  
*and* **BUSINESS ANALYST**

NOVEMBER 12, 1955

85 CENTS



**APPRAISING OUTLOOK for  
100 ACTIVE STOCKS**

Part I

By WARD GATES

Advent of **COMMERCIAL JETS**  
**Profoundly CHANGES** position of  
world **AVIATION INDUSTRY**

By WARNER T. WILSON

10 Leaders in  
**AUTOMATION**

By L. H. DARTMOUTH

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Charts, page 183—Mich. Bus. Review;

page 179—Pan Amer. World Airways

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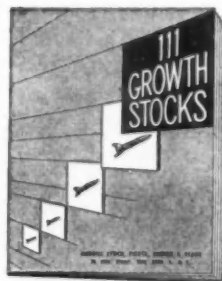
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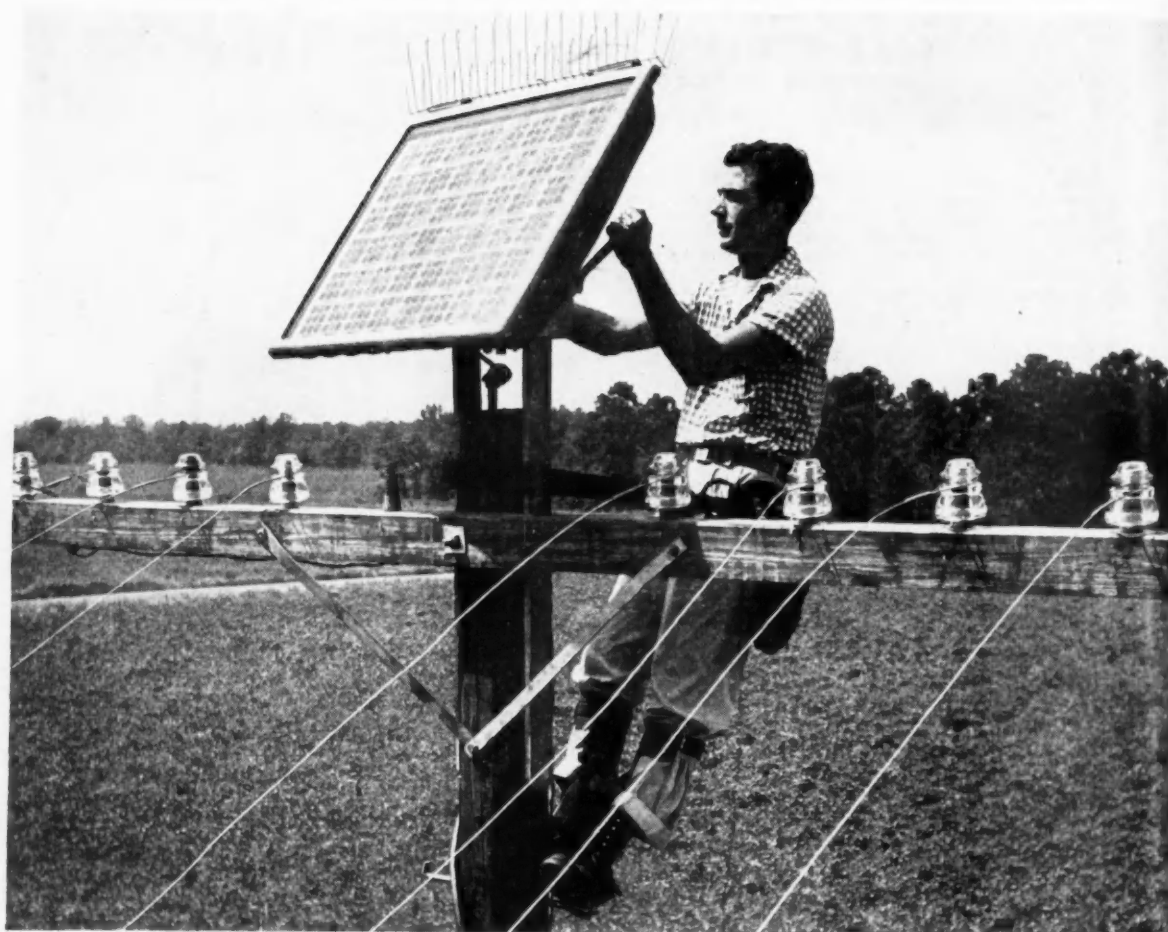
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## SUNLIGHT POWERS TELEPHONE CALL FOR FIRST TIME



Bell Solar Battery is mounted on telephone pole at Americus, Georgia, to power an amplifier on rural telephone line.

## Bell Solar Battery TAKES ANOTHER STEP FORWARD

**Bell Telephone Laboratories invention to convert sun's rays into electricity now used in interesting test. Has wide possibilities for telephone service and in many other fields.**

As far back as Archimedes, men were searching for a way to put the almost limitless power of the sun to practical use. The dream of centuries has been brought closer to realization by the Bell Solar Battery.

It was developed at the Bell Telephone Laboratories after long re-

search and first announced in 1954. Since then its efficiency has been doubled and its usefulness extended.

An interesting test of the battery's possibilities is now under way at Americus, Georgia, where it is powering an amplifier station on a rural telephone line.

Mounted on a telephone pole, it furnishes electric power during daylight hours. At the same time it charges a storage battery to provide power for nighttime operation and periods of cloudiness.

What has been done so far is the opening of a door through which we can glimpse exciting new things for the future. Increasing hope for success in harnessing more and more of the power of the sun has come from the Bell Telephone Laboratories development of the Bell Solar Battery.

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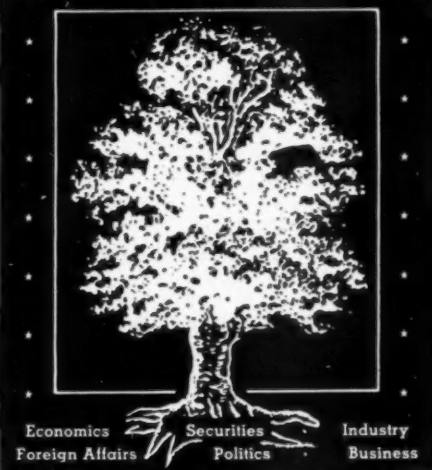
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# THE MAGAZINE OF WALL STREET

J. G. WYCKOFF, Editor-Publisher

1907 • Over 48 Years of Service • 1955



## The Trend of Events

**SETBACK AT GENEVA . . .** By all odds, it must be confessed that the West has made a lamentable showing at the Geneva conference of the Four-Power Foreign Ministers. Clearly, the Soviets have come off with the honors, though Mr. Dulles seeks to disguise the fact of our defeat by proclaiming his optimism.

Our diplomats are forever being surprised by the fact that the Kremlin means just what it says in its avowed purpose of world conquest. At this particular juncture, it is true, the Soviet leaders have found it expedient to drop the threat of the mailed fist and to resort, instead, to diplomatic measures, at which they are disconcertingly effective. At Geneva, with the smoothest of diplomatic finesse, they have managed to block the unification of Germany at the same time that they have opened the door to communist penetration of that important country by securing diplomatic recognition from the ailing Adenauer. Now, of course, Russia is in a position to apply continuous pressure on West Germany, and this we are no longer able to oppose effectively, as we have shown at Geneva. Furthermore, the Russians can now offer our indecision and weak stand as proof to West Germany that she can no longer rely on her Western sponsors and that, perforce, she must turn to the Soviets, if she ever expects unification. This may take time but the Russians have plenty of patience, for they know what they are at and how to get it, which, unfortunately, is more than can be said for our side.

If diplomatic pressure is not enough, the Soviets can

apply economic pressure as well to West Germany. As an instance: West Germany and Britain are in increasingly intense competition in world markets, and the Soviets can help West Germany by offering valuable trade concessions. She can also play West Germany off against Britain by offering the latter equally important trade concessions. Such rivalry for Soviet favors can go far to disrupt the Atlantic alliance.

At the same time, while we complacently stand by and watch as our position in central Europe is undermined, the Soviets, leapfrogging over our Eastern Mediterranean defenses, have penetrated the entire littoral of the Middle East and are well planted in North Africa, as well. Pitting the Israelis and the Arabs against each other, by supplying arms to the Egyptians, on the one hand, and by making trade agreements with the Israelis, Russia is able to keep the situation in that explosive part of the world nicely off balance. At one and the same time, the Kremlin implants in the minds of the Israelis that they cannot expect U. S. aid because we are afraid of offending the Arabs, with the possibility, thereby, of forfeiting our valuable oil interests; and,

at the same time, the Soviets curry favor with the Arabs by supplying them with the arms they need to fulfill their cherished ambition of driving the Israelis into the sea.

It is obvious that Russia is on the way to becoming a decisive power in the Middle East; something the unfortunate small nations there, who are too weak to protect

*We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!*

BUSINESS, FINANCIAL and INVESTMENT COUNSELLORS :: 1907—"Over Forty-seven Years of Service"—1955

themselves, will live to regret. Yet, our statesmen have done nothing effective to halt this dangerous process. We have had no policy and have none now; even to effectively defend our own interests. We drift and hope for the best while the Russians plan carefully and carry out their plans with smooth precision. And while we wring our hands in futile protest, let us remember the words of a leading Soviet diplomat:

*"War to the hilt between communism and capitalism is inevitable. To-day, of course, we are not strong enough to attack. Our time will come in 20 or 30 years. To win we shall need the element of surprise. The bourgeoisie will have to be put to sleep. So we shall begin by launching the most spectacular peace movement on record. There will be electrifying overtures and unheard of concessions. The capitalist countries, stupid and decadent, will rejoice to cooperate in their own destruction. They will leap at another change to be friends. As soon as their guard is down, we shall smash them with our clenched fist."*

—This was said by Dimitry Z. Manuisky, presiding officer of the United Nations Security Council in 1949, in a speech before the Lenin School of Political Warfare in 1931.

In the months before World War 1, the world also believed the peace would not be broken. The same fatuous complacency was exhibited by the democracies before Hitler launched his legions. Are we in danger of making the same terrible mistake again?

**NEWS ITEM:** The Standard Oil of New Jersey 3-for-1 stock split was hailed with pleasure by investors generally. Subscribers to The Magazine of Wall Street had special reason to be pleased, as the stock was listed among other candidates for stock splits in our October 1st issue and mentioned again in our October 15th issue as likely to receive higher cash dividends. In addition to the split, the stock was placed on a 50-cent quarterly dividend basis, equivalent to \$1.50 a share on the old stock as compared with the previous \$1.25 a share quarterly rate. We cite our forecast of the stock split and dividend increase as an instance of the service which this Magazine provides for its subscribers.

**LABOR LEADERS AGAIN ON WRONG TRACK . . .** Back in 1909, first full year of the Model T Ford which brought the modern assembly line into being, production of automobiles in the United States was 123,990. Automobile-making was not of enough importance to the country to cause the Bureau of Census to sort it out from other manufacturing activities. At a guess, there were 75,000 automobile workers in all.

So whom do we find complaining to the House-Senate Joint Committee on the Economic Report, that "working people are being compelled to bear the entire burden of social dislocation" due to the use of the improved machinery we have learned to group together as "automation"? Why, none other than the president of the United Automobile Workers, which has 900,000 members and is affiliated with the United Steelworkers of America — a million members — and the United Rubber Workers —

600,000 members — all of whom owe most of their jobs to the automobile and the assembly line.

This is such obvious nonsense that the new outburst of sabotage of progress could be laughed off — except for one ominous new development. All the witnesses making mythical claims of hardship due to mechanical progress hasten to say that they are all for mechanical progress — without the hardships. The way to have one and avoid the other, they are almost unanimous in explaining, is for the government to superintend the wicked corporations and see that automation doesn't proceed too fast.

This invoking of the paralyzing hand of government is what the economy must avoid at all costs if we are to sustain our present standard of living — let alone attain the ever-rising one which we have been forging since the war. What the proposal for governed progress always boils down to is that the man who fears he will lose his job chooses the time for making the experiment. When will that time be? Well, when would a committee of canal boat captains have said it was time to build railroads? Or when would a board of sailing-ship skippers have said it was time to launch steamships?

It can be set down as an axiom, in matters of industrial development, that nothing gets done as fast with government aid as it would with the government as a bystander. The exceptions are certainly too few to justify making government interference the rule of further progress.

(We call attention to the article on "Leaders in Automation" on page 202.)

**NEPOTISM IN INDUSTRY . . .** While the favoring of one's family with choice jobs is a time-honored practice in politics, it is by no means unknown in corporate fields. Many a stockholder has learned, sometimes only after acquiring an interest in a company, that key positions are held by offspring and other relatives of the top officers. It is not uncommon for these beneficiaries of corporate nepotism to be ensconced in executive posts that pay handsome salaries and, of course, substantial expense accounts, although they are only fresh out of college. While it is true that we could think of not a few instances where kinfolk have made important contributions to development of a company, it does not tax the memory to recall easily others where the practice has resulted in incompetents holding responsible positions, for which they could thank blood ties. The cost of such largesse, of course, is borne by the stockholder, who is deprived of dividends, deprived of a fair chance to see an appreciation in the value of his equity and even deprived of an opportunity to invest in something that might be productive of more than family sinecures. While there is no legal protection against these machinations of retrogressive management, the situation is not necessarily hopeless. Stockholders have ample recourse available to them. They can voice vigorous objections at stockholders meetings and, if such protests should prove ineffective, can join together to oust managements which, palpably, are more interested in furthering their own personal interests than in advancing those of the stockholders.

BUSINESS, FINANCIAL and INVESTMENT COUNSELLORS: :1907—"Over Forty-seven Years of Service"—1955

# As I See It!

By JOHN CORDELLI

## THIS TREND MUST STOP!

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A delusion, fraught with danger to this nation, is being entertained by large sections of the American public who believe that whenever they need economic assistance all that should be required is to stand in line for a federal government handout.

These groups who want paternalism in government are increasing constantly. While farmers and labor stand out prominently because of their demand for subsidies of one kind or another, housing interests also have demanded and gotten financial aid running into hundreds of millions of dollars annually, and other financial and industrial groups have gotten into line to eagerly accept federal largesse.

The worst aspects of this situation are found in the domain of assistance to citizen groups. In this fiscal year alone, the government will have expended the vast sum of \$12.2 billion for social or economic assistance programs, supposed to be of benefit to various strata of the population. Direct farm relief alone will be \$2.3 billion, without including the \$2 billion which the government is spending this year on accumulating farm surpluses under the price support program. Aid to veterans amounts to the immense figure of \$4.6 billion. Labor requires nearly a half billion annually. The net cost of the housing programs is an additional \$200 million.

This represents an enormous drain on the financial resources of the nation. Actually, expenditures for social and economic programs already amount

to not less than 20% of the federal budget, and the percentage may well increase with the passage of years. Many government officials are deeply concerned, as they should be, by this increasingly troublesome phenomenon in American life. But, in

view of the connivance of too many Congressmen and Senators with the blatant ambitions of powerful leaders of farm, labor and other groups, the problems of the Administration are immensely complicated, no matter how conscientiously it may strive for a program of financial stability.

In this country, the people have always believed in fair play and a sense of decency in public affairs. Above all, they have common sense. They know that special benefits to one group inevitably lead to special benefits for another. They know, however, that the entire nation pays for these benefits in taxes, so that the receiver of bounties inevitably must pay for them himself. The public is not fooling itself at all on this score.

The individual member of the farm

or labor or other groups, in his heart, does not believe in federal grants to the individual, barring the most exceptional hardship circumstances. But, he is comparatively helpless to voice his innermost belief in the face of the relentless pressure of those among his leaders who place political power above national safety. The result is not only steady and relentless pressure on the government to give aid, in one form or another (Please turn to page 228)

### SECRETARY BENSON'S SERIOUS PREDICAMENT



Dowling, in the N. Y. Herald Trib.

# Market Shows Up Strong and Weak Stocks

Recovery from the sharp September 26-October 11 market fall was carried further last week under Blue-Chip leadership. Renewal of the major advance, requiring rise above the September highs, remains under question. We continue to advise paring speculative positions in periods of strength, and the stressing of quality in portfolio management.

By A. T. MILLER

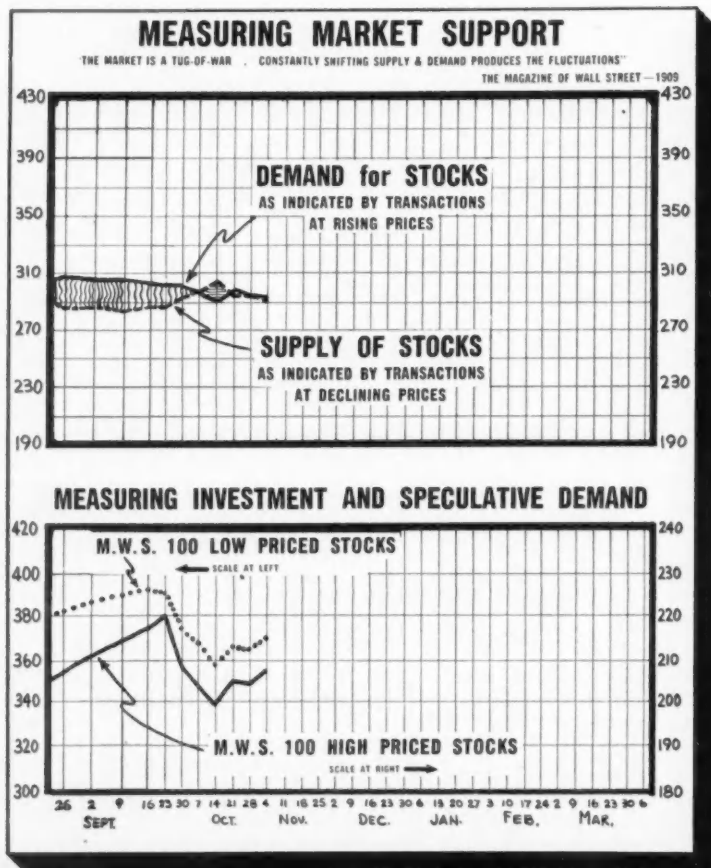
As was noted in our last previous analysis, the market's initial rebound from the break precipitated by shock news of the President's heart ailment amounted to a recovery of roughly two-fifths of the ground lost in the case of the Dow industrial average, a little under a third for rails and slightly over a fifth for utilities. That upturn ran from October 11 (low point of the market readjustment to date) through October 24, accompanied by restricted trading volume. It had all of the earmarks of a more or less typical technical rally, although there is no doubt that it reflected a definite drying up of scare selling, permitting selective buying, especially on the part of institutional funds, to give the market a considerably improved appearance.

In a rather brief secondary test, about a third of the rally was given up by industrials, around a fourth by rails, virtually none by utilities. The demonstration of support, at levels well above the October 11 lows, gave encouragement to buyers. After drifting sideways for several sessions, during a continuing accumulation of good earnings and dividend news, the market rose vigorously toward the end of last week, with some expansion in trading volume. The surge was popularly ascribed to, and in any event got a strong assist from, news of a proposed 3-for-1 stock split and a boost in cash dividend rate by Standard Oil (New Jersey).

## The Present Position

By the close of last week the industrial average had extended its recovery of distance given up on the September 26-October 11 break to about three fifths, rails to moderately more than one third (about 36%). After lagging on the initial upturn, utilities showed persistent mild strength throughout the last fortnight, and have now made up two thirds of their prior break. This is more than a technical rally, and it is conceivable that this section of the list may be the first to get back to, if not possibly somewhat above, the best September level. Working to that end are gradually rising earnings and dividends, the generally good quality of the stocks for conservative investment purposes, and comparatively good yields, since the group had not been previously over-exploited to anything like the extent of the industrial list. On top of the factors cited, the bond market has shown appreciable improvement in recent weeks, suggesting that the high point in bond yields probably was seen last August. This makes utilities relatively more attractive, since they are among the minority of investment-grade income stocks sensitive in considerable degree to shifts in trend of long-term interest rates.

Merely to get back to the September highs — and this proposition is highly conjectural — the industrial and rail lists have a formidable distance to go;



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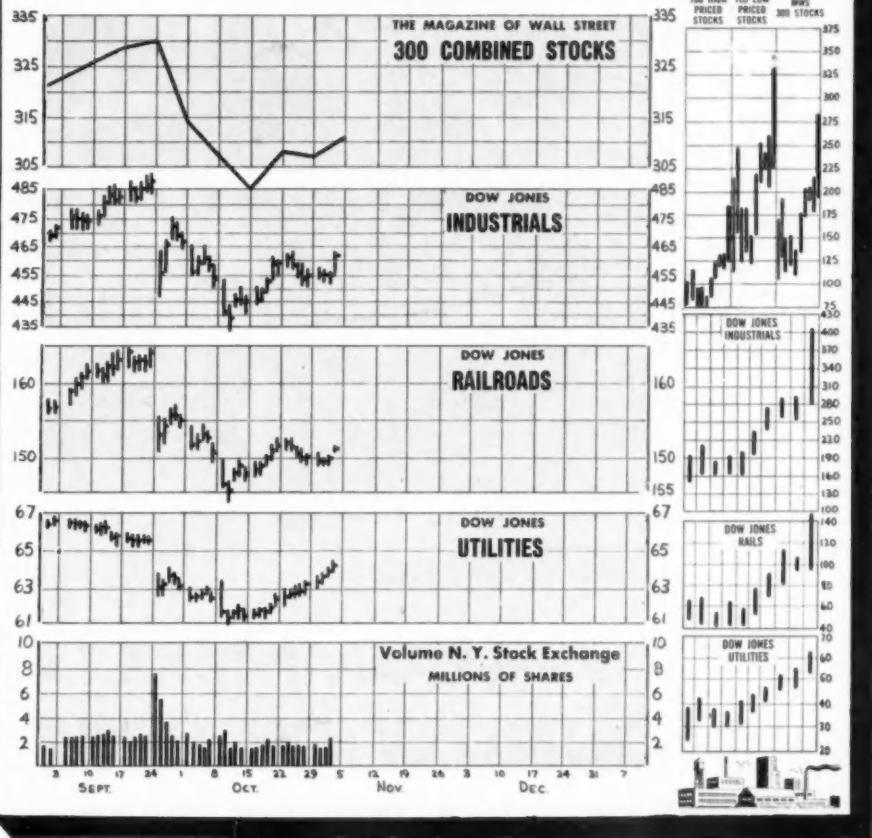
for it stands to reason that extension of the recovery will encounter an increasing supply of stock for sale on any closer approach to the prior highs. The remaining 40% for the industrial average figures to be much harder than has been the present 60% recovery; the remaining 64% for rails, against 36% to date, exceedingly difficult, if possible at all.

A good deal of additional tax selling will have to be absorbed between now and the year end. In many instances, funds so released will be switched immediately into other stocks. But because of the blow that market confidence has had, more tax selling than in some years will be, in effect, for cash. Many of the hung-up neophytes, who got interested late in the bull market, as usual, are now short of cash, or sour on the idea of any more stock buying anyway.

A partial list of stocks far down from earlier 1955 highs, and therefore candidates for tax selling, includes the following: Admiral, Alco Products, American Motors, Baldwin-Lima, Bath Iron Works, Bell Aircraft, Bullard, Continental Motors, Duplan, Elliott, Gar Wood, General Precision Equipment, Hoffman Electronics, National Can, Northrop Aircraft, Patino Mines.

The immediate and near-term business picture remains bright, featured by record consumer income and spending, a virtual full-capacity operating rate in the steel industry and sharp rise in output of 1956-model automobiles. Corporate earnings are making an excellent showing. Those of larger companies, as indicated by tabulation of over 700 reports, were 33% above the year-ago level in the third quarter, and the year-to-year gain for the first nine months of 1955 was about 31%. However, there are several things to note about this. (1) It is no surprise, having been very substantially allowed for in the market's enthusiastic rise to the September highs. (2) Year-to-year gains will narrow in the current quarter, and narrow further in the 1956 first quarter. (3) The \$64,000 question is whether next year's aggregate earnings will about equal this year's, or be a little higher, or be moderately lower. You can rule out any continuing gain at anything approaching the 1955 third-quarter or nine-month rates. Similar thinking applies to dividends. The increases in rates and the year-end extras now being voted assure record December payments, to that extent bolstering the case for year-end seasonal strength in the market. But thereafter, at least for some time if not for 1956 as a whole, there will be

# TREND INDICATORS

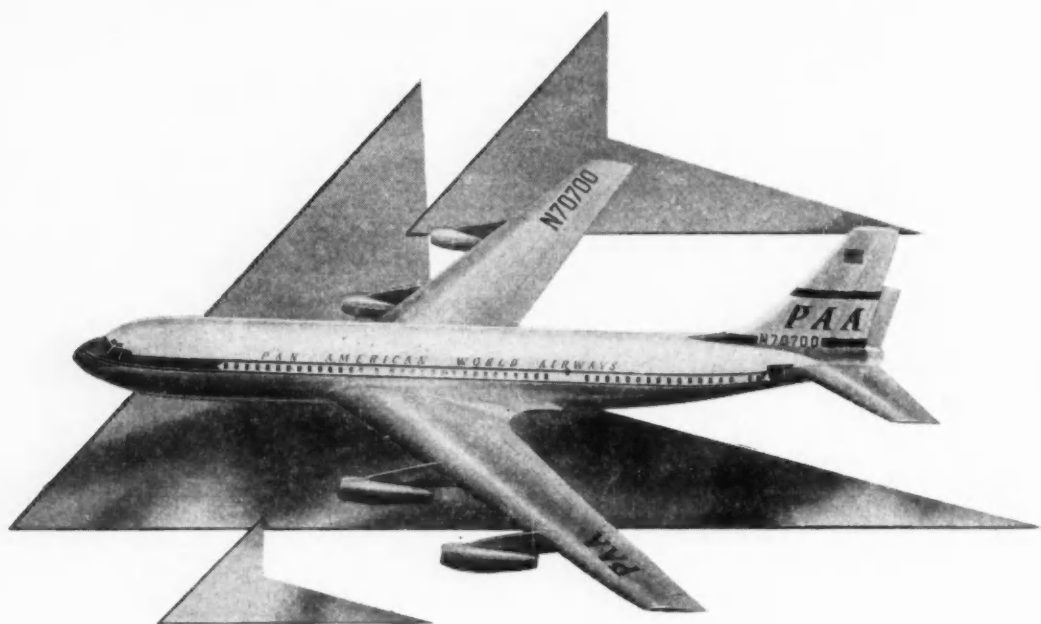


less good dividend news for the market to feed on.

As the President's recuperation continues and especially after he resumes the full responsibilities of his office, there will be increasing pressure put on him to accept 1956 nomination. His decision may not be known for some weeks. Meanwhile, in any event, the initial panic among Republican politicians has subsided. Their second thought is that prosperity and peace could be strong Republican Party assets a year from now; and that, while no other Republican nominee can fill Eisenhower's shoes, those shoes also happen to be over-size for any Democratic candidate now in sight.

In a national election today the Republican side certainly would be aided by prosperity, combined with stable living costs. Nobody can say whether that will be equally so nearly 12 months hence. Our tentative thinking is that over-all 1956 business may not differ much either way from this year's. Automobile output and housing activity could easily be moderately under that of 1955. But present indications suggest well-maintained outlays for new plant and equipment, increased government spending, mainly at the state and municipal level; and at least moderately larger 1956 disposable personal income and consumer spending. Aside from any political angle, a flattening-out prosperity would not give the market too much to go for, since market hopes flourish on uptrend business and earnings. We continue to recommend a conservative, highly selective investment policy.

—Monday, November 7.



# Advent of **COMMERCIAL JETS** **PROFOUNDLY CHANGES** *position of* *world* **AVIATION INDUSTRY**

By **WARNER T. WILSON**

*W*hen Pan American World Airways last month placed its record order for new planes, 45 jet transports at a total cost of \$269 million, a brand new age of travel was ushered in. But the mere size of the order (staggering, even in these days of inflated dollars) placed by this airline with two American manufacturers of aircraft was hardly the most significant phase of this innovation in transportation which, in effect, makes the world 40% smaller.

Far more important is the complete revolution in the aircraft and airlines industries, with reverberations extending to the farthest corners of the earth, affecting governments, business and the way of life of all peoples. For the Pan American executives, by this bold and imaginative action, have put the United States in the lead for what is certain to be a hectic race for world supremacy in Twentieth Century transportation. Everyone is destined to be caught up in this changeover to a new age.

As a foretaste of what is to come, the Boeing Airplane Co., one of the recipients of a jet order, followed the signing of the contract with the flight of a commercial jet prototype from Seattle to the Washington, D. C., area in three hours and 58 minutes. This unofficial record for transcontinental transport aircraft was only 12 minutes slower than the transcontinental record set by a Boeing B-47

bomber. Average speed of the commercial prototype was 592 miles an hour.

The October 13 announcement by Pan American was followed within 12 days by United Airlines with a decision to buy 30 jet airliners from the Douglas Aircraft Co. at a total cost of about \$175 million. This decision by United to be the first domestic liner to contract for jets pushed the total of commercial jets on order to close to the half-billion mark with every prospect that it would be well over a billion long before the first of these revolutionary flying machines is placed in service some three years hence. National Airlines is expected to sign up for six jets on which it took an option last August from Douglas, which shared in the Pan American order.

Meanwhile, Eastern Air Lines and American Airlines have obtained 20-year loans from insurance companies to enable them to get into the jet swim. Eastern has arranged for a \$90 million loan and American is expected to take down \$75 million. In addition to domestic airlines, foreign companies and governments are certain to seek jet transports here, although military security limitations and the previously cited prohibitive cost will discourage many at this time. Only competitor for such business is Britain, although the Soviet Union could one day be a vital factor. British development of jets, of

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course, has been hampered in the commercial field by the DeHavilland Comet's three crashes that cost 99 lives, hence even British Overseas Airways may be forced to buy jet transports on this side of the Atlantic. Comets, incidentally, are smaller than the American entries and incapable of a non-stop oceanic hop.

### Make-or-Break Mistake

While it is true that the British began scheduling commercial jet flights as far back as May, 1952 (a pioneering effort that encountered the aforementioned tragic reverses), there never could be any doubt that it would devolve upon the United States, with its tremendous resources, vast wealth, bold entrepreneurs and the unique ability to generate the requisite traffic, to usher in the new age of transportation. For most foreign lines and not a few Americans, it is a kind of pace-setting that stacks up as too rich for the blood. When a company buys a fleet of jet airplanes at a cost of \$6 million each (big piston-driven propeller jobs range from \$1.2 million to \$2.3 million), a mistake could be well-nigh ruinous.

Yet, typically, American enterprise now is making a strong bid for leadership in the field. No claim will be made here for United States superiority in the design of jet engines, for while this country may lead in the manufacture of airframes, the British may very well have a better line of jet power plants. At least, such companies as Curtiss-Wright Corp. have been known to turn to Britain for jet engines. But it remained for an American airline to place the kind of order for jets that must outmode the present equipment of other companies and countries engaged in the long-distance flying business.

### World-Wide Impact

It would be a serious mistake to suppose that the emergence of the jet airliner merely marks another stage in the development of transportation facilities, for the impact is certain to be revolutionary. The jet surely will bring a new age—for travelers and tourists, airlines, aircraft-makers, airports, governments (at home and abroad and at every level) and for such industries as petroleum, electronics, metallurgy and chemical.

For the traveler and tourist, it means being transported 3,750 miles at some 575 miles an hour across the Atlantic from New York to Paris in six hours and 35 minutes, against the present 11 hours. The

Honolulu-San Francisco flight time is about 9½ hours, but the jet will cut that 2,420-mile journey over the Pacific to 4½ hours. Thus, there is about to unfold a whole new vista for business people and vacationing folk, as the New York-Paris flight, for example, is reduced to the same travel time as railroad passage between New York and Richmond. On domestic flights, the Chicago-to-New York journey, which will take but 90 minutes, will be under the commuting time of many business people. Despite their increased speed, jets promise to bring a new standard of comfort to the passenger. Shorter flights, naturally, diminish travel fatigue and jets will subject the passenger to much less vibration and cabin noise than piston-engine machines.

For the airlines, it means a daring step that entails a multi-billion-dollar spending program, the funds coming from such varied sources as retained earnings (which should be increased between now and delivery time), bank and insurance loans, stock and bond issues, depreciation and sale of much present equipment. Stockholders' fears that \$5.8 million average price tag (with spare parts) of jet airliners is too steep are countered by jet builders who say every dollar of investment will return 25% more than the piston-engine liners. It is figured that jets will produce 2½ times the revenues of piston-engine jobs because of bigger carrying capacity and more trips due to higher speed. It also is reasoned that on such routes as the trans-Atlantic hop only a single crew will be needed, rather than a double one. Other cost-saving factors include faster turnaround and greater utilization.

For the aircraft industry, it also will entail large capital expenditures even as it presents tremendous opportunities to expand and grow beyond the prime dependence on military business. Immediate beneficiaries of the initial order, although it will not swell their income account appreciably for years to come, are Boeing, with a contract from Pan American for 20 of its Model 707 jets, and Douglas, with an order from Pan American for 25 DC-8s and 36 more slated for United and National. Engines of the Pratt & Whitney division of United Aircraft Corp. are scheduled to be used in every instance. Lockheed Aircraft Corp., which expects to be building commercial jets shortly, calculates that the manufacturers and the airlines will require about \$1.5 billion of new financing in the next few years alone to enable manufacturers to pay for facilities to build the new airliners and for the airlines to buy the planes. The estimate by Lockheed, which is consid-



*One should not regard even so important a development as the commercial jet as an isolated phenomenon in these days of rapid scientific achievement. Inevitably, all major developments such as electronics, nuclear energy, automation, and the like, are inextricably linked. One cannot progress without the other. Each has a revolutionary impact on the economy of nations. Equally, these important developments must have a radical effect on investment planning so that the investor who is unmindful of the likely long-term effects on investments in general places himself at an unnecessary disadvantage. In order to assist investors in placing rapid industrial changes in proper focus, The Magazine of Wall Street has taken the lead in publishing articles devoted to these dynamic fields. The jet transport is that kind of story.*

ering expenditure of at least \$125 million over the next five years for its own expansion, appears highly conservative.

*For the airfields*, at home and abroad, the rushing jets will entail changes in runways, improvements in control of traffic and coping with the noises of the jets, a problem that may become acute in residential areas. Local governments will be confronted with complaints of disturbances and even demands for removal of humming airfields. Plane crashes in the vicinity of New York and New Jersey airfields already have led to demands for their removal from built-up areas. Present criteria for leaving to pilot vision the safe separation of airplanes already are out of date. Moreover, facilities for handling planes in the air and on the ground lag seriously and cut into profitable operations of the airlines. A single hour's delay with a \$6 million jet would run into four figures. By 1956, it is estimated, domestic airlines alone will be hauling 70 million passengers (last year it was 32 million). The urgency of better traffic control will be vastly increased by the advent of the jet, flying close to double the 300-mile-an-hour speed of most present transports. Automation of the airways is seen as the solution to traffic jams in the sky, but this is many years away, at best. Meanwhile, improved control of traffic must rely on human beings, who will be dealing with a new element in the jet. Aside from the modern airports of the great metropolitan centers, it is doubtful that many fields today are equipped to handle these planes efficiently. A typical problem will be the elimination of long tie-ups over airfields during which the jets would consume costly amounts of fuel.

*For the Federal Government*, the advent of the commercial jet means, among other things, a strengthening of the airframe, engine and accessory industries, on which it relies for development and production of better bombers and fighters. Commercial aircraft production, properly planned, would trim the cost to the military of maintaining a dynamic aircraft industry. The military, of course, calls on civilian airplanes to supplement military transportation in time of national emergency and the new jet fleets, about to come into being, should be a welcome addition to the reserve.

*For the petroleum industry*, it will mean developing new fuels for the jet flying machines. Socony Mobil Co. already claims to have come up with a fuel, manufactured by a new "hydrocracking" process that is similar to jet fuel classified by the United States Air Forces as JP-5, but has greatly improved quality characteristics. In supersonic jet aircraft, fuel acts as a cooling agent, carrying off heat from the engine lubricating oil and other sources. Hitherto, the effectiveness of conventional jet fuels for this purpose has been limited by the instability of the fuel at high temperatures. Gum and sediments formed in the unstable fuels tend to plug engine filters and nozzles, causing engine-operating difficulties.

*For the electronics field*, it will mean whole new markets for radar, automatic pilots, safety-control equipment and fire-control devices, all keyed to the new machine. Radar especially must be counted upon to cope with separation standards around airfields. It is easy to see how it would restrict traffic if the airways had to provide 10-minute separation between jets—a block of air space 100 miles long would have to be reserved for each plane. A multitude of other devices is on the planning boards, such

as inlet air controls that permit higher speeds and greater range for the jets and gadgets designed to lighten the chores of traffic controllers.

*For the chemical industry*, it will present new opportunities for use of magnesium. Titanium and other lightweight metals also should come to the fore. Titanium, as an example, is expected to replace stainless steel to a large degree on the Douglas DC-8. And that is only a beginning. The quest for metals now obscure, is certain to be pressed amid efforts to cope with this new age of transportation. Already Kennecott Copper Corp. has put its resources behind a search for columbium, which is believed to hold promise for high-temperature uses in jet engines along with gas turbines, rockets and nuclear power equipment.

Here is the classic example of the world-wide impact of the revolutionary jet, for this country is a "have not" nation in the matter of highly strategic columbium. Nearly 80% of the free world's output is mined in Nigeria. The balance comes from the Belgian Congo, Malaya, Mozambique, Brazil, the Scandinavian countries and other distant regions. One of the few prospective columbium deposits on this continent that appear to have a substantial potential is in Quebec. Molybdenum Corp. of America owns or has options on 7,100 acres in that area and has been exploring there since 1953. Kennecott has a sizable stake in Molybdenum.

Concentrates of columbium, found on the Nigerian plateau, resemble black sand. They are shipped to the United States in steel drums. Deliveries of columbium concentrates have been coming from this source and other foreign mines since 1951 to be stockpiled. Major domestic suppliers of columbium products to consuming industries are Union Carbide and Carbon Corp., Fansteel Metallurgical Corp., Kennametal, Inc. and the Foote Mineral Co.

### The Calculated Risk

While the business of Pan American is in the air, its directors must keep their feet on the ground. They are interested in achieving a revolution in transportation only to the extent that it will benefit the stockholding owners of their business. There is no doubt in their minds that by the time they go over to jets, sometime in late 1958, international travel via the airways will have grown sufficiently to support this costly enterprise. One of these new jet planes will carry 50,000 passengers a year across the Atlantic. At that rate it would take only 36 jets to fly the 1,799,000 people carried by the company's whole fleet of 147 planes in 1954. In a typical month this year, 240,000 international passengers were carried by all United States airlines, a rise of nearly 20% in a year.

The key to profits for any airline, of course, is the load factor—ratio of space sold to maximum capacity—since it costs about as much to run a full plane as one with empty seats and unused cargo space. In the first five months of 1955—before the summer tourist season got underway—the "average load" was 62.9% of capacity, up 2.6% from the previous peak of January-May, 1954. In the first half of 1955, airline traffic rose 20% over the like 1954 period. Fact is, airline travel has risen each year since 1945.

Pan American and the other airlines that follow her into the jet age may be counted on to attract

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greater numbers to jet flying through reduced fares that should be made possible by the economies attained. The Boeing and Douglas jets will be giants half again as large as the present piston-engine airliners. Jets now on order will carry as many as 140 passengers. This combination of high speeds and big loads along with the other savings that the changeover will permit should assure the lower fares that will attract new thousands to the airways.

A measure of the faith of Pan American in jet commercial planes is seen in its decision to split the order between the only two domestic manufacturers with jet transports. By this action, the company is assured of getting into service first with jets.

### Piston Engines and Turboprop

With all the furore over the jet, it should not be overlooked that piston-engine planes and turboprops (turbines turning propellers) will continue to have a place in the flying business. Such planes, with lower initial costs, are also more economical on short hops or multi-stop routes. Pan American, incidentally, has on order 33 DC-7C piston-engine planes, to be delivered starting next spring. Their cost comes to \$88 million. That investment brings the total Pan American commitment in planes on order to \$357 million. When all are delivered, sometime around 1961, the airline's capacity will be about double what it is at present.

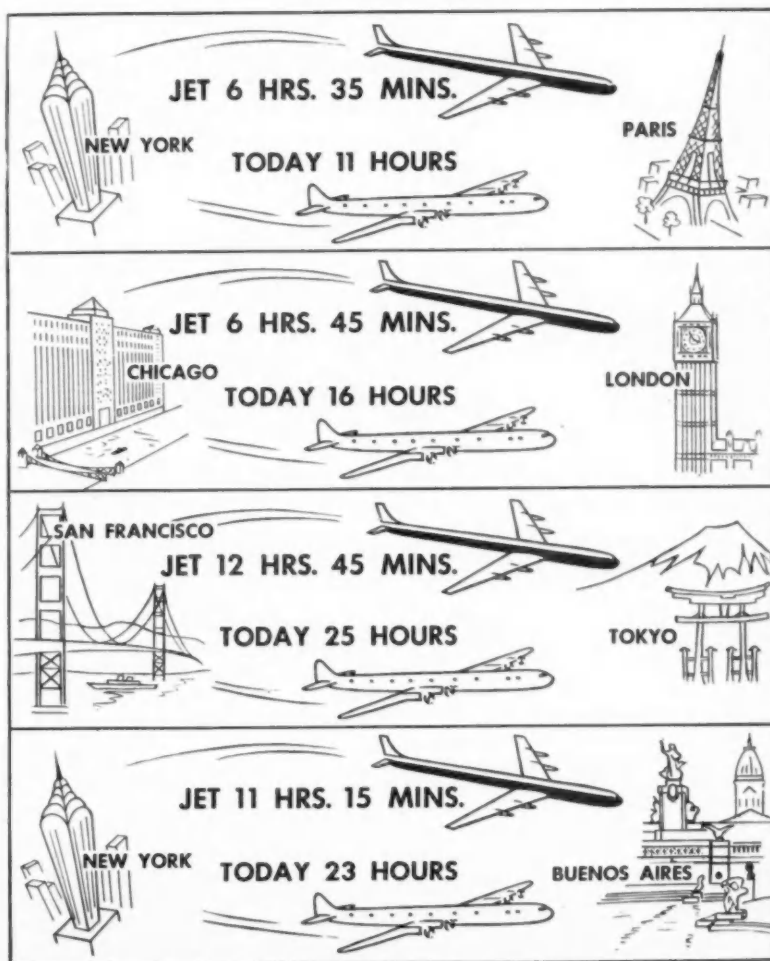
Eastern Air Lines, on September 27, announced a three-stage expansion program costing \$350 million. The main item was a \$100 million firm order for 40 Lockheed Electra turboprops. These planes fill a need between the 270-375-mile-an-hour piston-engine planes and the 550-mile-an-hour jets. Eastern will start receiving its 400-mile-an-hour Electras late in 1958, not much before Pan American starts getting its Boeings. The first Electra order came from American Airlines on June 8. American will start receiving the first of its 35-plane fleet, costing about \$65 million, in the latter part of 1958. Turboprop engines, it is worth noting, burn less fuel than pure jets.

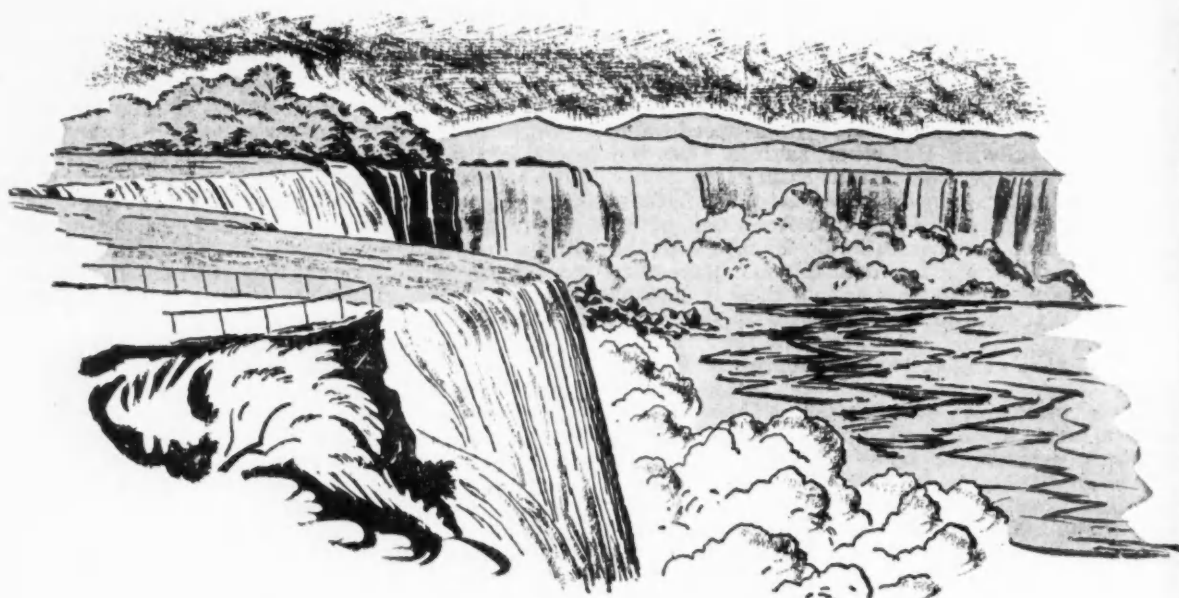
Nevertheless, these companies and others, here and abroad, shortly will be in the market for jets, which have speed and overall economy going for them on long hops. The advantage will rest with American companies, since the military does not, among other things, permit an aircraft builder to give a foreign customer details on performance of the jet engine. By way of contrast, our own carriers are in a position to learn all there is to know about engine performance, giving them a decided competitive advantage.

In the international race for

jet supremacy in the commercial field, two varying philosophies on engine development face a test. In Britain, the idea is to develop some engines exclusively for commercial use and others for the military. Commercial engines in this country are outgrowths of a type originally conceived for military use. Britain has few jet engines that have been produced in large quantities. These are subject to careful analysis before being made available for grueling transport duty. Under the American system, which may appear slower, an engine is not even considered for civilian use until it has seen extensive military service. Little, of course, is known about Soviet development of commercial jets, but it must be recognized that the men in the Kremlin, making a strong bid for world power, are well aware of the prestige at stake. And prestige is but part of the prize, for the excellence of commercial transports has always been a direct barometer of the state of aviation in a country, including its military potential. There is every reason to be confident, in the light of the enterprise already shown by American industry, that the United States will win the jet-airliner contest. And it may well be that before we have accustomed ourselves to the jet, atomic-powered aircraft will appear on the horizon. —END

### JET TRAVEL TIME





# Our Water Supply – Vital Economic Factor

By McLELLAN SMITH

Water, next to land, our most abundant natural resource, is fast becoming a major problem of government, agriculture and industry. Consequently it is of concern to the investor who must turn to industry for a fair return on his venture capital. The problem is not one of actual scarcity, but of distribution and water's cycle from source through use and back to the lakes, rivers and underground reservoirs.

Despite the fact that enough water falls on the United States each year to cover its entire area to a depth of 30 inches, there are many sections of the country, notably some of the western states, where water shortages are now properly described as acute, while in certain seaboard states, water ground levels are sinking at an alarming rate.

The urgency of the problem was stressed by President Eisenhower last year when he set up a Cabinet Committee on Water Resources and said:

"If we are to advance agriculturally and industrially we must make the best use of every drop of water which falls on our soil or which can be extracted from the oceans . . ."

## Utilization and Conservation

Basically, as noted above, the over-all problem is not one of scarcity, but of more efficient utilization of supplies, re-use and reclamation of water now allowed to waste, and location—even relocation—of water-consuming industries in areas where geologists determine water may be had without reduction

or impairment of supplies.

Water is a relatively simple chemical compound, composed of two parts hydrogen, one part oxygen. It is not destroyed in the industrial process, nor is it truly destroyed in any other way. Its form is changed for varying periods of time—eventually it reverts to its natural state, but not always at the point where man first appropriated it for his use. But as population increases, industry has daily needs for more and more water. The cycle whereby water reverts to its original form and, in the case of underground water, gets back to its subterranean reservoirs, doesn't keep pace with humanity's growth, industry's progress.

Parenthetically, the cycle of water is evaporation from rivers, lakes and oceans; condensation in the skies, and return to Earth in the form of rain. The rain replenishes the rivers, lakes and seas, while a certain amount slowly, and over years which may total up to centuries, seeps through the soil to underground reservoirs. In brief, there is no real reduction of the basic water supply. Records of the United States Geological Survey show that our over-all water supply has averaged about the same since records were first kept.

## Giant Increase in Use of Water

"That is," according to USGS experts, "droughts have been off-set by above-normal precipitation. No trends toward desiccation or general decline of water sources has been detected. *The main cause of the*

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difficulties is the enormous increase in the use of water that has occurred since the turn of the century."

It is to be noted these experts resort to the term "use" of water, not "consumption." Their phraseology is correct—man uses water, but he does not consume it. Consumption denotes irretrievable loss. Use may denote many things, but in the case of water it only means that its form has been changed for a time—maybe weeks, maybe centuries. Time passes—weeks or centuries—and the water is again available.

### Some Reasons for Growing Scarcity

Before moving into a discussion of ways and means of solving the water resources problem it would be well briefly to outline the causes of present scarcities of water in an increasing number of areas. The ever-rising standard of living is no small factor. Take the simple matter of bathing; since 1900, the number of bath tubs has more than trebled! As people have become more conscious of personal hygiene, what, at the turn of the Century was a Saturday night family "ritual" has become daily routine for 72 per cent of the population with the remaining 28 per cent turning to tub or shower some two or three nights in addition to Saturday. Further, urban populations are on the move to suburban areas where a lawn, shrubbery, flowers and perhaps a small vegetable plot are available—adjuncts to comfortable living which are voracious in their demands for water. Not to be overlooked is the building of these new suburban homes, now at the rate of about 1.2 million a year—construction requires no small amount of water.

This move from city to suburbs would seem to lessen water demands of the cities. Such, however, is not the case. As families flee city congestion, former residential properties are converted to commercial or industrial use with their consequent demands for water surpassing the demands of the former residents.

The near-universal use of air conditioning has confronted many cities with grave water problems. Water use by the larger systems as are installed in theatres and modern office buildings is often a greater expense than the cost of electric current. During periods of drought, many cities have found it necessary to ban temporarily the use of air conditioning systems which use water for compressor cooling purposes. This points up the need for development of large

systems which can operate without the use of water, and larger demands for the so-called "package" units which now require no water,

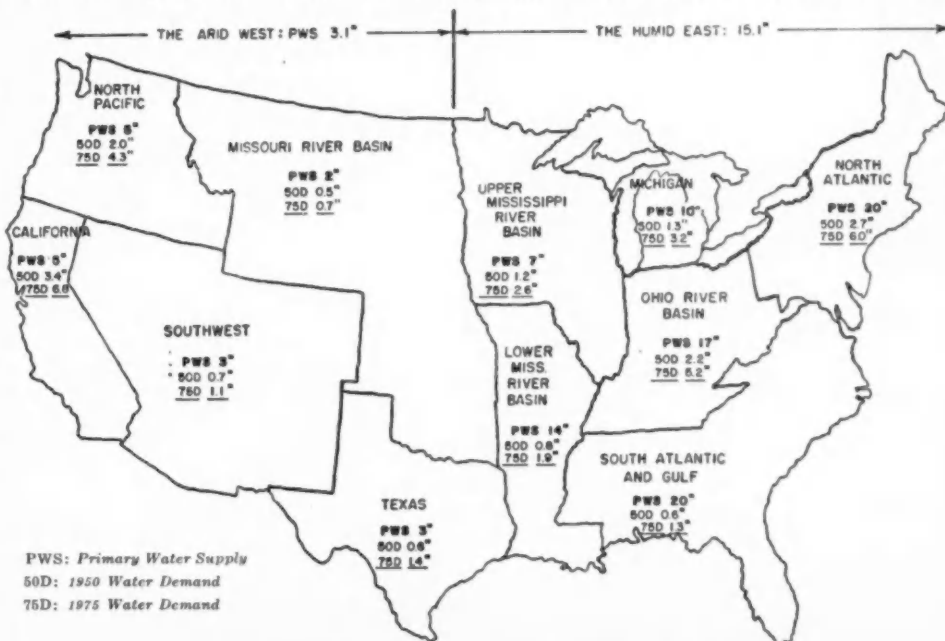
Hand-in-hand with the increased personal and industrial use of water goes the problem of water pollution. Too many cities are dumping raw, untreated sewage into nearby rivers. This brings about the necessity for more costly water purification systems down-stream, or it forces the cities to turn to wells.

Water from subterranean reservoirs presents less problems of treatment for human and industrial use, but man's ever-increasing demand for water rapidly depletes these reservoirs unless they are in areas where there is little impediment to replenishment from rainfall or flooded rivers. But sewage is not the only source of river pollution; daily, industries discharge billions of gallons of water into streams, water that is polluted through the addition of chemicals picked up in the industrial process.

### Industry's Voracious Appetite for Water

Until a few years ago, agriculture was the largest user of water; today industry's demands outstrip those of the farms. The manufacture of a ton of rayon requires from 180,000 to 200,000 gallons of water; 65,000 gallons are needed for the production of a ton of steel; production of a ton of newsprint demands close to 100,000 gallons; production of 1,000 yards of woolen cloth taps the water reservoir for 510,000 gallons; 9,000 gallons are necessary to the manufacture of a ton of ice. These are but a few of the every-day items which are unending in their demands for water. Others include the steam production of electric power; oil and gasoline refining; food processing; tire manufacturing, to name but a few, most them relatively minor in the industrial picture of 30 to 40 years ago.

Yet to be reckoned with are the water demands of our two newest sources of energy, the atom and thermo-nuclear devices — the former (fissionable uranium) well advanced as a source of commercial



GEOGRAPHICAL RELATIONS OF SUPPLY & DEMAND

power, the latter (the H-bomb) headed for industrial applications within the decade.

Of water needs for the production of a pound of uranium or any measurable quantity of thermonuclear materials (mainly hydrogen) for the H-bomb, little is known or available to the layman. The Atomic Energy Commission has published no data, wrapping this information in the all-enveloping cloak of security. One atomic expert, who asks anonymity, said water demands of both are "enormous." He then pointed out that our two most publicized fissionable materials processing plants are located in areas of plentiful water supplies, "one at Oak Ridge, Tenn., where the Tennessee Valley Authority system of reservoirs assures adequate water, the other at Hanford, Washington, where the vast Columbia River system often has too much water for the welfare of that region." He added that it is of significance that the hydrogen facility was located near Aiken, S. C., "where it can readily draw upon the steady flow of the nearby Savannah River and the Federally-built Clark Hill reservoir."

### What is the Answer?

Up to this point there has been a general outline of what water is, where it comes from, its cycle in nature, the causes of its seeming scarcity which, in the final analysis, is one of distribution and adjusting use to the cycle—that is, the location of industries in areas where use will not outrun replenishment. And, not to be overlooked is more prudent use, which includes immediate reclamation of used water.

The prime question invited by these comments is: "Well, what are we doing or planning to do?" The question is fair—the answer is not necessarily positive, but it may point the way.

First, there must be the realization that although water certainly is a non-exhaustible resource, there must be consideration of the fact that it has to move through its cycles, and in the movement it cannot be hurried.

Next, we must see and know that much of our water which now goes to waste, be salvaged for immediate re-use, or that it be cleaned up for further

use downstream. But, before moving into these technical problems, let's see what has and is being done by some of those congested industrial centers which have water problems of industry and water problems relating to the individual.

In Pittsburgh, Pa., the electorate has voted a bond issue for works to treat its water; bring it up to better human consumption standards and to assure chemically pure water for industry.

New York City has tapped the Delaware River, some 75 miles away, and is now pondering if this supply is adequate.

Los Angeles is thinking of turning to the salty Pacific Ocean for more water, obtained a Congressional appropriation of around \$6 million to make a study of the problem.

Miami is spending some \$18 or \$20 million for a new sewage treatment plant.

Washington, the Nation's Capital, fastest growing area in the United States, desperately in need of electric energy, has temporarily halted construction of a \$70 million steam-electric plant on the Potomac River and above the City, because its exhausts into the Potomac could kill marine life—animal and vegetable—and thus bring about more pollution, now at the point where Potomac swimming is far from healthy.

In Ohio, despite the periodic floods which stem from the River by the same name, more than 2,000 wells are being drilled each month, mainly seeking water which has not been polluted by the cities and their industries.

Baltimore recently completed a reservoir of 23 billion gallons capacity.

Dallas, Texas, is putting up some \$20 million for the construction of a reservoir to dam a nearby river.

Down in Texas, where even little things are done in a big sort of way, there is serious talk of piping Mississippi River over-flows into the Lone Star State. North and west of Texas, there is serious consideration to the proposal to pipe surplus Columbia River Valley water into California. *The cost of this would be around \$40 billion; nevertheless the plan is complete, blue-printed and ready for execution when funds are available.*

### Companies and Their Role In Developing Water Resources

Crane Co. ....	This 100-year-old company makes wide range of valves, fittings and parts for waterworks systems.
Dow Chemical .....	Produces ion exchange resins, which are designed to soften water.
Dresser Industries .....	A maker of couplings for water mains and hydro-electric penstocks.
Fairbanks, Morse .....	A leader in the manufacture of pumps and motors for water systems and irrigation.
Food Machinery & Chem. ....	Its pumps serve the water requirements of communities, industry, farm and home.
Myers (F. E.) & Bro. ....	Manufactures water systems for farm and domestic use, hand and power pumps and sprayers; also water softeners.

Worthington .....	Highly diversified line of pumps, compressors and allied devices for water systems and sewage disposal.
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### Companies With Direct Stake In Nation's Water Resources

Allis-Chalmers	Hackensack Water
American Radiator	Myers (F.E.) & Bro. Co.
American Water Works	Neptune Meter
Bethlehem Steel	Permutit
Crane Co.	Smith (A.O.)
Dow Chemical	Sterling Drug
Dresser Industries	U. S. Pipe & Foundry
Fairbanks, Morse	U. S. Steel
Food Machinery & Chemical	Westinghouse Electric
General Electric	Worthington

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The New Jersey legislature is prepared to spend \$200 million to bring more and better water into the State. Space limitations bar detailed presentation of State and Municipal moves in the water problem. We should move along to Federal steps and what they may lead to.

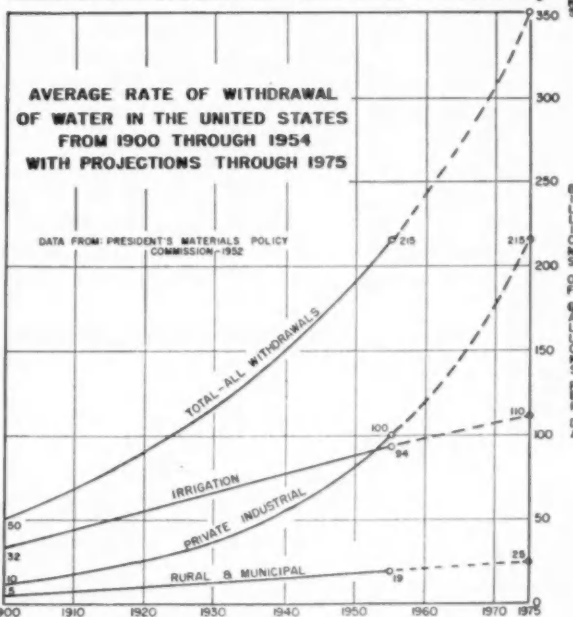
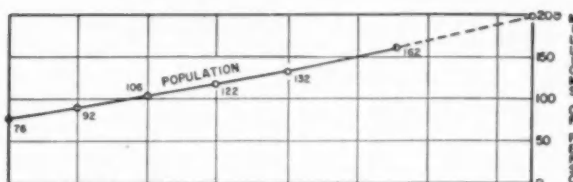
Since 1824, the U. S. Government has spent around \$14.3 billion on water resources projects. Until 1900, most of the expenditures were in the field of reclamation, until lately meaning irrigation, with production of electric power and municipal-industrial water supplies as "side" issues. In later years, irrigation has moved into the background with hydro-electric power production and municipal-industrial water supply the predominant features.

Up to now, Congress has authorized water projects adding up to \$18.5 billion and has currently appropriated around \$800 million to get them under way or to further their construction. The Federal Government is spending at the rate of \$750 million a year to develop its water resources, including hydro-electric developments, flood control, navigation and irrigation. In connection with hydro-electric developments, those of the United States have a present installed capacity of 35 million horsepower. Potential, undeveloped hydro power is estimated at 116 million horsepower. None of our great river basins is completely harnessed, therefore their more rapid development assumes dual importance—power for an ever-expanding economy and the storage and distribution of water for industry and the growing populations of urban and suburban areas. Hand-in-hand with these developments must go engineering developments in the field of water reclamation and purification. And this last, purification, is a major problem itself. It has been estimated that in one major river valley area, one quart in every gallon of water available for human use has passed through a sewer main. This in itself is no threat to health so long as urban filtration plants are maintained at peak efficiency, but growing populations in that area pose the necessity for continuing vigilance and increasing expenditures for water purification plants.

Earlier, it was said that the over-all water supply remains fairly constant, that distribution seems to be the major problem, and it was said that relocation of industries may, in some instances, be necessary. In conclusion, a resummation of some of the things being done, or plans being studied, may point up the seriousness of the problem which threatens some sectors of the national economy.

Ohio, alarmed at industrial pollution of streams, is drilling about 2,000 wells a month. Congress has appropriated funds to enable the City of Los Angeles, California, to make studies of the feasibility of converting sea water to human use. Long ago, the Bureau of Reclamation made extensive surveys to determine the feasibility of piping excess water from the Columbia River Valley into water-starved central California. Federal agencies have an extensive program of cooperation with the more arid areas of the West in exploration for new ground water sources. Texas, fabulously rich from its oil production, seriously considers piping water from the Mississippi River.

Industry, aware of the water problem, is bending its energies to reclamation and re-use of its water through condensation and purification. One notable advance in this area has been made at the Kaiser



steel plant in California—through condensation it has reduced its water requirements for the production of a ton of steel from around 65,000 gallons to less than 2,000 gallons. A large chemical concern, by recirculating its process water has reduced daily process water requirements from 130 million gallons to 4 million gallons, while an Ohio steel mill is even reusing drainage from drinking fountains!

All along the line, municipalities, industries, States and the Federal Government have "pitched in" to do their share to avert a water crisis. The problem is one for all of them, but the major share is not the Federal Government's. This was pointed up by the Hoover Commission's report on water resources, which said:

"The Nation's responsibility to develop its resources does not require, as is so often automatically assumed, that the Federal Government must do the whole job and foot the whole bill.

"In general, the financial responsibility for the conservation, development and utilization of the Nation's water resources should be assumed by private enterprise, local governmental units, or the States."

### Flood Control Needed

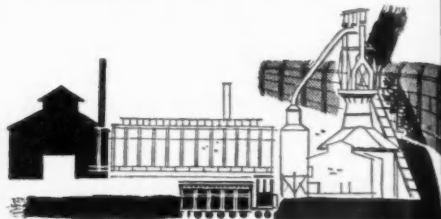
If, admittedly, the water deficit which has been described in the foregoing has become an immense national problem, we also have another problem resolving from temporary surpluses when nature becomes too profligate with rain from the heavens. The recent disastrous floods in New England and adjacent states, with its attendant vast property ruin and considerable

(Please turn to page 224)



## PART I

# Appraising Outlook For 100 Active Stocks



By WARD GATES

In any year, with the approach of its close, a review of portfolio holdings is a necessity, to determine whether individual securities should continue to be held or sold—and in what quantity—and, if the latter, whether they should be replaced and by what. Also tax considerations are important and should not be neglected. Inasmuch as there is only a comparatively brief period left before the calendar tax period end, investors must bestir themselves to take fullest advantage of the means open to them.

In this particular year, a re-examination of portfolio holdings is especially called for because important market changes have occurred in the past two years. Since the beginning of the 1953-55 bull market, starting in September 1953, some stocks have advanced substantially and others have lagged. In the first instance, many stocks have obviously discounted the earnings progress of their companies for a considerable period ahead. In the second instance, it may well be that some laggards of 1955 will turn out to be good performers in 1956. In any case, a decision to retain stocks, or sell them, with the added problem of replacement, is called for.

No one, of course, has ever learned to determine the exact price at which a stock is too high or too low. Still, through a practical means of comparison available to the investor, it can be determined that some stocks *look high* in comparison to others in their group, and others *look low*. This may turn out to be deceptive after an appraisal of all the relevant factors but the mere fact of difference in market valuation is important in itself.

One of the things the investor must guard against is to consider a stock high or low on the basis of market price alone. Some stocks can be quite cheap at high market prices and others dear at low market levels.

### Using Standard Yardsticks

There are two convenient yardsticks which, though by no means conclusive, are often a practical guide. These are the well-known *price x earnings*

*ratio* and the *percentage yield*.

The price x earnings ratio of a stock should be compared with the ratio for other stocks in its group for an informed opinion as to its investment status. This will be particularly significant if the comparison shows that over a period the price x earnings ratio for the stock is substantially higher or lower than for other stocks in its group. Thus, if stock A consistently sells at a price 20-30 times earnings and stock B in the same industry sells at 10-15 times earnings, the question must be asked: Why does stock A normally receive a so much higher market rating than stock B?

This is extremely important to know, for it may be a guide to future market action. A stock with a consistently high market valuation normally "acts" better in a declining market than a stock with a lower market valuation and, also, it tends to rally much more quickly when the market becomes strong again. The reason for this is that stocks with the best investment rating (best price x earnings ratio) generally meet with the strongest market support from important investment interests. Correspondingly, stocks with an inferior investment status receive less support.

It is suggested that the reader examine the accompanying table which compares the price x earnings ratio of 50 active stocks, out of 100 stocks under review in this survey. (The remaining 50 will be presented in the next issue.) This table shows not only the current price x earnings ratio of each stock but compares it with its ratio when the market first started its two-year rise in September of 1953. The comparison enables the reader to determine how closely market price has kept pace with earnings, where there have been apparent excesses and where the price, relatively, has not kept pace with earnings.

Yield comparisons are also important but should be considered in connection with the price x earnings ratio. Stocks with characteristically high market valuation in relation to others of its group normally sell to offer a low percentage yield. This may or may not be a disadvantage, depending on the

degree to which growth potentials, in the eyes of the investor, have been already discounted. If the stock has already discounted a good part of its earnings potentials, the low yield obviously is a doubly uninviting element, and should so be considered by the investor.

### Reaching A Decision

Whatever may be the basis of reasoning in taking investment action in this particular period of the market, it should be borne in mind that after two-years of advance which only recently was interrupted, the investor must decide whether he has more to risk than gain by continuing to maintain his position in stocks which have had the greatest advance. He must also decide whether, in view of the potential vulnerability of the general market, if it would be wise to continue to hold those of his investments as were unproductive in the light of their poor performance in a rising market, on the basis that if they could not do well in a strong market they might be likely to do even more poorly in a declining market. He should also decide whether his portfolio position can be materially improved by making substitutions for issues which he believes should be disposed of.

Such decision, of course, must be based on an appraisal of the position and outlook for each individual stock. In order to assist our readers, we have listed 100 active stocks, half the number of which appear in the following table, which we believe to be representative of the average investor's holdings.

We have briefly indicated our opinion as to which of these issues should be held; on which profits may be taken at least sufficient to mark down original costs; and which should be sold. Obviously, in the restricted space available for each stock, we are not able to cite all the factors entering our appraisal.

### AIRCRAFT

**Boeing Airplane:** This issue has now settled down to a trading range in the mid-sixties, offering a yield of about 4.6%. Speculative enthusiasm has waned but longer-term prospects are enhanced by the leading position of the company in manufacture of commercial jet planes. Stock is selling at about the average price x earnings ratio for the group-8. It may be held as long-term growth-type stock, with a speculative tinge.

**Douglas Aircraft:** The position of this company is firmly established and long-term prospects are above-average for the group. However, selling at close to the mid-seventies range, it now seems to have lost its two-year old forward momentum. It sells at a somewhat higher price x earnings ratio than Boeing but the yield is moderately higher. The stock may be re-

tained on a long-term basis, on account of its lead in commercial jets, but near-term speculative potentials seem to have diminished.

**General Dynamics:** This stock sells at the highest price x earnings ratio for the aircraft group. The yield at 4% is rather low but is offset by potentials in the conspicuous long-term growth possibilities of the company. Valuable experience in building atomic submarines has placed this company in the forefront of concerns identified with nuclear energy. The stock should be held on a long-term basis and at current prices in the low 50s is available almost 30 points under its 1955 high.

**Lockheed Aircraft:** In the undiluted enthusiasm for aircraft stocks earlier this year, the stock rose to apparently excessive levels at about 64. It has now receded to more reasonable levels, at below 50. Predominantly engaged in production of military aircraft, it is expected to enter commercial jet production. Selling at average price x earnings ratio for the group, with yield about average. Stock may be held on speculative basis.

**North American Aviation:** Selling at price x earnings ratio considerably under average for group. This factor, together with liberal yield and continued high earnings rate, are favorable elements in the speculative outlook for the stock. Company has assumed prominent position in nuclear energy developments. May be retained on speculative basis for long-term but has typically wide swings.

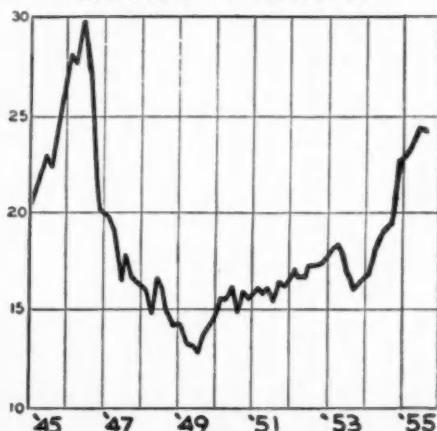
**Republic Aviation:** This is among the more speculative of the group and reflected by its substantially lower price x earnings ratio. Though yield is above-average for group, stock does not possess speculative appeal because of exclusive production for military needs. Earnings, though high now, could be affected by any cut-back in defense spending for military aircraft.

**United Aircraft:** This stock has held better than any of the group and at present writing is selling at close to its 1955 high of 60½. Ownership of Pratt & Whitney important factor in raising company's potentials in view of rapidly rising orders for commercial jet planes. Price x earnings ratio is considerably higher than for others of group.

### AUTOMOBILE

**Chrysler:** Restyling of 1955 models having met with a great success, the company's sales have rebounded sharply. While outlook for 1956 sales for industry in general cannot be accurately determined at this stage, ability of company to recapture its share of the market is a favorable sign. A higher dividend would seem in order, based on \$13 a share 1955 earnings. On an earnings basis, shares seem fairly priced at current 95 level, but speculative

STOCK PRICES AS  
MULTIPLES OF DIVIDENDS



Cleveland Trust Co.

## Market Valuation of 100 Leading Stocks

### (Part I)\*

	Estimated Earnings Per Share 1955	Indicated 1955 Dividend	Recent Price	Price-Times Earnings Ratio Sept. 1953	Recent Price**	Div. Yield
<b>AIRCRAFT:</b>						
Boeing Airplane .....	\$ 9.00	\$ 3.00	65	3.0	7.2	4.6%
Douglas Aircraft .....	8.75	4.00	72	4.0	8.2	5.5
General Dynamics .....	4.25	2.15	53	7.3	12.4	4.0
Lockheed Aircraft .....	6.25	2.40 <sup>1</sup>	50	3.7	8.0	4.8
North Amer. Avia. ....	9.50	4.50	65	4.1	6.8	6.9
Republic Avia. ....	11.00	2.50	44	3.0	4.0	5.6
United Aircraft .....	6.00	2.75 <sup>1</sup>	58	5.8	9.6	4.7
<b>AUTO:</b>						
Chrysler .....	13.00	4.00	95	7.4	7.3	4.2
General Motors (new) .....	4.00	1.75	45	8.0	11.2	3.9
White Motor .....	6.00	2.60 <sup>1</sup>	40	3.7	6.6	6.5
<b>BUILDING:</b>						
Amer. Rad. & S. S. ....	2.30	1.34	22	6.7	9.5	6.0
Certain-teed Products .....	3.60	1.25	25	4.7	7.0	5.0
Crane Co. ....	3.50	2.00	36	7.2	10.3	5.5
Flintkote Co. ....	4.00	3.00	39	7.0	9.7	7.6
Johns-Manville .....	7.00	4.25	83	9.3	11.8	5.1
Masonite .....	3.65	1.25 <sup>1</sup>	31	5.3	8.4	4.0
National Gypsum .....	5.00	2.00 <sup>1</sup>	49	6.5	9.8	4.0
Otis Elevator .....	4.85	3.12	66	8.6	13.6	4.7
Ruberoid Co. ....	3.15	1.75	35	7.5	11.1	5.0
U. S. Gypsum .....	24.00	12.00	284	8.7	11.8	4.2
<b>Chemicals:</b>						
Air Reduction .....	3.00	1.50	37	10.9	12.3	4.0
Allied Chem. & Dye .....	5.50	3.25	104	12.2	18.9	3.1
Amer. Cyanamid .....	4.00	2.00	55	13.7	13.7	3.6
Commercial Solvents .....	1.25	1.00	20	15.8	16.0	5.0

\* Part II—next installment in Nov. 26 issue.

\*\* Based on estimated 1955 earnings per share.

<sup>1</sup> Plus stock.

<sup>2</sup> Actual.

potentials necessarily more limited now after 43-point advance from 1954 low.

**General Motors:** After recent 3-for 1 split, stock has settled down. Selling at rather advanced price x earnings ratio for this group. Old stock paid \$5 a share last year, and dividends on new shares could be raised to make a total of possibly in excess of last year's payments. Unless stock is held as a permanent unit in long-term portfolio, moderate acceptance of profits might be warranted as a means of reducing original cost.

**White Motor:** Now selling about midway between 1955 high of 51 and low of 34. Though in competitive truck field, company has strengthened its base through adding diesel engine production to activities. Selling at comparatively modest price x earnings ratio, and with adequate yield. Stock may be retained or acquired in moderate quantities, if needed for speculative portion of portfolio.

### BUILDING

**Amer. Radiator & Standard Sanitary:** Stock is selling at about average price x earnings ratio for the group—10.3. Selling near the low for the year, stock possesses only moderate attraction from a speculative standpoint. However, dividend well protected by earnings increase and stock may be held for liberal yield.

**Certain-teed Products:** Substantial recovery in earnings after 1953-54 setback. Though earnings base has been broadened through recent acquisitions, in view of past rather erratic earnings trend, the fact that stock is now selling at about double the 1954 low of about 12, market potentials seem rather limited. However, speculative holdings acquired nearer lower levels of past two years need not be disturbed.

**Crane Co.:** On a near-term basis, seems rather fully priced but possesses interesting long-term speculative potentials owing to its increasing importance in the rapidly developing titanium industry.

**Flintkote:** Present comparative narrowness of dividend coverage offset by strong finances. Though rather fully priced from near-term standpoint, long-standing speculative holdings need not be disturbed, in view of company's increasing diversification which should tend to build stronger earnings base over long term.

**Johns-Manville:** Stock is one of the leaders in building group and, owing to dominant position in asbestos and derivatory products, sells at higher price x earnings ratio than the group, as a whole. However, based on prospects in view for building industry which indicate stabilization of earnings at

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possibly lower levels, rather than increases for 1955, speculative possibilities do not appear marked at this time. As a sound investment, however, stock may be retained for portfolio purposes.

**Masonite:** Selling approximately midway between 1955 high of 33 and low of 25, the stock seems fairly priced on the basis of earnings. While cash dividend is low—4%—the yield has been increased modestly through recent stock dividend of 2%. While speculative potentials seem rather limited in view of prospects that building has seen its peak, strengthening of company's position by adding to natural resources in timberlands, favors longer-term outlook. Stock may be held.

**National Gypsum:** Stock now about 10 points under 1955 high of 59. On a price x earnings basis, stock selling about in line with other good-grade building issues. Low cash yield of 4% supplemented by recently declared 2% stock dividend. Issue of growth type. While near-term speculative possibilities seem limited, stock may be retained on long-term basis.

**Otis Elevator:** Higher-grade quality building stock selling at above-average price x earnings ratio. Strong long-term outlook but nearby speculative potentials may be more limited in view of somewhat less dynamic immediate outlook for industry, as a whole. More suited for conservative portfolios, in view of rather low yield.

**Ruberoïd:** Selling about in line with other good-grade building issues. Earnings in recent years have shown marked stability but lack dynamism. However, company's expansion program has favorable longer-term implications. Stock can be held, as a comparatively stable-type issue offering a fair yield.

**U. S. Gypsum:** The leader in its field and will show spectacular earnings of possibly as high as \$24 a share this year. A 5-for-1 split has been recommended. After its long rise in past year, speculative potentials may be more limited for the near-term future. However, long-term holdings should not be disturbed in view of excellent record and outlook for company.

## CHEMICALS

**Air Reduction:** For the first time since 1951, this company has registered substantial earnings. These are estimated at around \$3 for the year, compared with \$1.82 a share in 1954. As a consequence of improved earnings, dividends have been raised to 45 cents a share quarterly in place of the old 35-cents a share rate. The price x earnings ratio is well under that of the average for the group—19.2. While the new

(Please turn to page 214)

## Market Valuation of 100 Leading Stocks (Part I)\* — (Continued)

	Estimated Earnings Per Share 1955	Indicated 1955 Dividend	Recent Price	Price-Times Earnings Ratio Sept. 1955	Recent Price**	Div. Yield
<b>CHEMICALS: — Continued</b>						
Dow Chemical .....	\$ 1.64 <sup>2</sup>	\$ 1.00	53	21.2	32.3	1.8%
Du Pont .....	9.00	6.50	216	19.0	24.0	3.0
Hercules Powder .....	6.50	3.00	123	14.3	18.9	2.4
Monsanto Chemical .....	2.10	1.00	45	16.1	21.4	2.2
Olin Mathieson .....	3.50	2.00	54	10.6	15.4	3.7
Spencer Chemical .....	4.04 <sup>2</sup>	2.40	67	12.2	16.5	3.5
Union Carb. & Car. ....	4.40	2.75	100	17.7	22.7	2.7
<b>ELECTRICAL EQUIPMENT:</b>						
Allis-Chalmers .....	6.25	4.00	64	6.4	10.2	6.2
Cutler-Hammer .....	6.20	3.00	66	11.6	10.6	4.5
Fairbanks, Morse .....	2.10	1.40	27	5.9	12.8	5.1
General Electric .....	2.50	1.60	48	11.9	19.2	3.3
McGraw Elec. ....	4.50	2.00	46	8.3	10.2	4.3
Minn. Honeywell, Reg. ....	2.45	1.35	51	16.7	20.8	2.6
Sunbeam Corp. ....	2.30	1.25	36	7.4	15.6	3.4
Sylvania Elec. ....	4.00	2.00	43	9.4	10.7	4.6
Westinghouse Elec. ....	4.00	2.00	56	8.7	14.0	3.5
<b>PAPER:</b>						
Container of Amer. ....	6.00	3.00	65	7.3	10.8	4.6
Crown Zellerbach .....	2.84 <sup>2</sup>	2.10 <sup>1</sup>	50	8.0	17.6	4.2
Great Northern Paper .....	5.00	3.00	83	11.0	16.6	3.6
International Paper .....	8.00	3.25	105	7.5	13.1	3.1
Kimberly-Clark .....	2.84 <sup>2</sup>	1.72 <sup>1</sup>	46	9.6	16.1	3.7
Rayonier .....	3.00	1.10	33	4.6	11.0	3.3
St. Regis Paper .....	3.25	1.80	40	6.2	12.3	4.5
Scott Paper .....	2.75	1.80	67	16.8	24.3	2.6
Union Bag & Paper .....	8.00	4.00	93	6.8	11.6	4.3
West Va. Pulp & Paper .....	3.10	1.40	46	7.0	14.8	3.0

\* Part II—next installment in Nov. 26 issue.

\*\* Based on estimated 1955 earnings per share.

<sup>1</sup> Plus stock.

<sup>2</sup> Actual.



## Inside Washington

### SEC'Y BENSON AN ADMINISTRATION HEADACHE

By "VERITAS"

**FAILURE** of the Administration to make farmers happy isn't going to cost Agriculture Secretary Ezra T. Benson his job. The one person who could return him to civilian life is President Eisenhower and the farm plan which carries Benson's name as a con-

venient tag actually is the program of Milton Eisenhower, Ike's brother, once in the New Deal-Fair Deal operation of the Department, and the man who has most influence with the President. Farm state Senators and Representatives, generally, would like to see Benson go. Milton Eisenhower wants him to remain, and remain he will.

#### WASHINGTON SEES:

Labor leaders are having their enthusiasm over AFL-CIO merger diluted by reports from the field which prove that amalgamation of the Nation's two strongest worker groups involves more than drafting rhetorical documents, signing papers, and clasping hands in front of cameras. Those phases already have passed, except for the final act to be staged Dec. 5, at a New York City joint convention—a final act in the sense of necessary formalities but a curtain-raiser in essential respects.

National offices have been allocated to the satisfaction of those immediately concerned: Meany, president; Reuther, vice president. They have the authority to sign the pact, make it effective—on paper. But across the country there are local problems in every organized community and they don't run to a uniform pattern, soluble on a single set of rules. Jealousies are fed by the fact that to merge locally means one set of officers rises to the top, another is correspondingly de-emphasized in the hometown labor picture.

Washington headquarters of the two unions recognize that the field problem is a tough one. As a means of encouraging calm negotiation and to avoid explosive outburst, locals will be given two years within which to get together. Whether rivalries, and all that goes with them, will down in that length of time remains to be seen. But certain it is, that the vaunted united CIO-AFL political and economic power can't be felt for several years.

**INQUIRY** into the Department of Interior and its relationships with power operations has accomplished its purpose—to set the stage for full-dress investigation in January—and has recessed. The Chudoff subcommittee frankly was a fishing expedition, with no intent to process the catch at this time. It is being refrigerated for the more attentive ears of an election year. But the "indictment" has been returned: Interior Department is charged with aiding in frauds upon REA, following a power give-away policy.

**BARRING** a Republican sweep in the national election, the Democrats are conceded much better than an even chance to increase their Senate domination. That was true even before Mr. Eisenhower's illness; chances for the Demmies have brightened with the belief that Ike will not be on the ticket. The Democrats have a two-member lead and only 15 of their 49 party members come up for election in 1956—10 of them in the "untouchable" South. Of the GOP members, 17 will be at stake, and 10 of the spots have been filled by Democrats at times in the past three decades.

**STRATEGISTS** around Democratic National Headquarters would love to know what their Southern brethren are up to. Senator Richard Russell's suggestion that Gov. Frank Lausche of Ohio, would be an acceptable Presidential nominee is uniformly taken as a step to chill Stevenson and Harriman enthusiasm, without offering a man who can be considered a genuine threat. Its obvious to the Northern Democrats that Russell and Southern colleagues who seconded his idea have a man from the South in mind. But who, they ask?

# As We Go To Press

Two conservative forces which usually are aligned -- Senator Walter George of Georgia, and the National Association of Manufacturers -- are irreconcilably apart on tax cutting methods. The Senator, battling for his political life against Herman Talmadge, limits his promise of support of tax-reduction measures to those bills which concentrate their relief on low and middle income groups. The NAM asks a ceiling of 36 per cent on corporate and individual tax rates -- a seep-down policy to the same extent as George's is a build-from-the-base program.

Under the Capitol dome it's hard to find any one in the legislative picture who gives the NAM program more than an outsider's chance. Corporations now taxed at 52 per cent, and individuals whose bracket is above 36 per cent, seem to most Congressmen to be the ones best able to pay. They contribute to the Treasury in amounts out of proportion to their numbers,

but the Treasury needs the money, will need more if excises and low-bracket income levies are reduced. Broaching the idea is not without benefits: it will be kept before the lawmakers as they deliberate rate slashes and it may serve to keep disparities from running out of bound.

Senator George's idea will win almost solid democratic support and will have many republicans in line; naturally they'll differ on methods. Across-the-board cut is the easier legislative route, but larger exemptions seem to be more favored as of now. Difficulty with a program of exemptions is that each one voted opens up a new area: if one group of individuals or commodities is favored, others come forth with matching claims for consideration.

The republican position against individual tax cuts last year was predicated upon the time element. The GOP took verbal punishment at that time; it was charged that the republicans sought time to grab the ball from the democrats, vote relief in 1956 when credit could be claimed on the eve of a national election. The accused party answered that business conditions were bettering and a balanced budget-- a GOP prerequisite to tax reduction -- was in sight, possibly only one year away. That forecast now seems to be borne out. To some extent operating economies have brought the goal into view, but its arrival was principally hastened by increased tax receipts. The Treasury will get much more money than it hoped for. And if the budget is in approximate balance, there will be no haggling over precise definitions.

The tax-cut fever has been rising since the democrats almost squeezed through a tax slash last year. The vote for the reduction was above the expectation of some party leaders. Also, the republicans were put on notice, both by the vote and by the mail they received, that there are many taxpayers who have no idea what balanced budget connotes, are unconcerned, but want tax cut. But there's no certainty that costs of government will go steadily down, while Treasury revenues go unalterably up. Congress will have several urgent and costly matters before it next year. It must do something about roads and about schools and about medical research. Those things are going to be in competition with income tax reduction, for the dollars that can be spared after the budget is balanced. Both cannot come at the same time.

The first honest-to-goodness reach for personnel reduction in the Federal payroll began Nov. 2 when a House manpower committee began calling in heads of agencies and demanding to know why promised economies have been so slow in coming. The Defense Department presented the first witnesses -- "friendly" witnesses, to use a classification which Congressional committees have adopted for

those who don't cross the Congressmen. The Pentagon beat the committee to the draw on this one: a few weeks ago a planned reduction of 70,000 civilian employees was revealed.

Difficulty with Federal job-cutting is that it usually can't be accomplished by requiring fewer people to work harder. The military payroll, with respect to the uniformed forces, is the biggest. It can be cut to any desired depth, even can be wiped out: it's a question of how much national defense the Nation wishes to have available. And a 70,000 employee slash is a deceptive thing. It will be concerned with civilian employees and when they go uniformed personnel will move into most of the jobs, increasing the draft or enlistment quotas. It has been estimated that it takes \$9,000 to train a soldier for a three-year enlistment, and this adds up to \$3,000 a year on top of his base pay, allowances, and perquisites.

The battle of the fuels is on again. A Congressional investigation has been ordered into the "arbitrary action" of the International Cooperation Administration which shut off government exports of American coal to Europe and Asia. Senator Joseph C. O'Mahoney of Wyoming, appointed the committee to make a study, and lamented the fact that the ICA action came just as the bituminous industry was getting back on its feet and regaining some customers. Substantial increase in private commercial shipping of soft coal had pepped the economy of the industry in several key producing regions. This trend was reversed, Sept. 23, when a halt was called in government shipments to fuel-short friendly countries. Miners asked O'Mahoney for opportunity to prove that ICA is scuttling a domestic industry for the benefit of Japan's coal mines.

Coal production in the bituminous industry was the highest of the year for the week ended Sept. 17 -- 1 million tons over the corresponding week of last year. It was 1 million tons short of the 10-million output which the industry sets as the weekly goal essential to a thriving business. When the ICA acted, out the window went the hopes built on Harold Stassen's "promise" last year (the United Mine Workers says it was a firm promise) to ship 10 million tons of soft coal this year to beneficiary countries. Actual shipments slightly exceeded 1 million tons.

Another \$5-a-ton increase in the price of Canadian newsprint has launched a new demand for expansion of domestic production. The Dominion supplies more than 80 per cent of all tonnage used in the United States, completes its contracts with American publishers in offices located north of the International Border and indulges monopolistic price fixing with immunity. The latest boost raises the price to an all-time high of \$131 a ton.

The newsprint industry in the United States has been growing but the progress is so slow that dependence on Canada will go on for many years. Unless, that is, a more favorable investment climate is created. The U.S. Forest Service has made studies of base materials in Tongass National Forest in Alaska, even went so far as to ask for bids on lumbering the vast area for pulpwood. Publisher groups and investor syndicates have looked the situation over but their interest waned when costs of transportation were computed. There's plenty of wood and adequate waterways to stream the logs to rail end but there's still the freighting of paper rolls to United States destinations. And that comes high.

Southern states have slash pine forests of huge square mileage. The wood is the ideal type although some hardwoods which are in abundant supply can be processed economically. Also bagasse, which has been a waste product is useable. Committees of Congress have sought to have the Department of Justice move against Dominion producers doing business in the United States, but the State Department doesn't want friendly relations disturbed, especially since Ottawa stoutly defends the right of the paper millers to combine on price-fixing.

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Part II

By JULES WITCOVER

## NEW WORLD POWER LINE-UP

*(Editor's Note: This is the concluding instalment of Mr. Witcover's amazingly interesting analysis and appraisal of the relative position of the two rival blocs—the free world and the communist world. It is a particularly timely summation in view of the current important negotiations taking place between the foreign ministers of the Four Powers at Geneva.)*

agem prey on our allied community, which has had to be sometimes pushed, sometimes dragged into aggressive resistance to Communist expansion on all fronts? To answer the question, we will have to look back, like Janus, at our intricate intramural relations with the free nations, relations that determine in large measure the limits of our face-to-face dealings with the Communist world.

### Humanitarianism and Self-Interest

American foreign policy, geared by Democrats and Republicans alike since 1945 to a military and ideological defense against global Communism, has become a modern-day Janus. Like the double-faced god of the Roman Forum, it stands at the gateway of the free world, looking one way into the jaws of the menace itself, and at the same time searching back into its own complex, often contradictory amalgamation of alliances, commitments and objectives.

The first question raises others: Just how far has American foreign policy come in ten years in winning friends and influencing allies? Have our millions of dollars in foreign aid built a will and a determination as well as an ability to resist the common foe? Have these millions paid off in respect for our political cause and in true friendship, or have they caused backfires of resentment and defensiveness against infringements on national sovereignty?

Before attempting to find answers to these questions, one critical fact must be recognized. It is this: whereas in our direct relations with world Communism we can do what we please, how we please and when we please to do it, we hold no such absolute power over the foreign policies of our allies. Rep. Robert B. Chipfield of Illinois, ranking Republican member of the House Foreign Affairs Committee, made that very point last spring in a foreign-policy debate on the House floor. Chipfield said:

"One of our best diplomats frequently makes the statement, 'If you can give the other fellow orders, it isn't foreign policy.' His point is that you can't give orders to independent sovereign nations. If the nation has a status which makes it possible for it to be ordered around, in the way Russia orders it satel-

In an earlier article, the first and more primary function of our continuous foreign policy was considered. The observation was offered that this policy has brought the United States to a point in the surface East-West power struggle where our military strength may have forced the Communist leaders to lay aside the bludgeon in the diplomatic arena in favor of the velvet glove.

Our own military posture would appear to be invulnerable to any new, "soft" approach, it was noted, but our auxiliary relations—pertaining to trade, exchange of technological ideas and information and the exchange of knowledgeable citizens themselves—might be made less profitable by the new "friendly" Kremlin attitude.

If that is so, how will this latest Communist strat-

lites, it is no longer foreign policy but domestic policy which is involved. All this means that the methods which we can use to get a foreign country to do what we want it to do are limited. We should not base our foreign policy on an assumption that other countries are going to behave differently than they really are.

"We cannot by edict or fiat in Washington control the action of our allies, to say nothing of our adversaries."

The fact that our foreign policy is limited by actions of other countries over which we have no final control has been perhaps the most difficult problem our long-range diplomatic planners have had to cope with since the end of World War II. We have tried to offset this limitation at different times with vocal and moral persuasions, with foreign aid of every description and sometimes with threats that we will have to make an "agonizing reappraisal" of our whole global policy if this or that "suggestion" isn't followed.

Although we like to think of our foreign policy as motivated by great morality and humanitarianism, that motivation can at best be a secondary one. Inasmuch as we believe whatever we do to be best for us and also for the world, our foreign policy actions are based on our own self-interest and only coincidentally on morality, if in fact the two happen to coincide. This is another fact that has caused us considerable grief.

Its proof has come up recently in our siding with France on her anti-colonial positions in Indo-China and in North Africa. As a democracy that always has upheld political self-determination of peoples, colonialism in any form must be abhorrent to us. Nevertheless, maintenance of solidarity within the Western defense organization is viewed realistically as the greater, more pressing need in terms of self-interest, so "morality" takes a back seat in Indo-China and North Africa.

This is not to say that morality has no place in our relations with our allies. The closer we can bring our self-interest on any given issue to our moral obligations in the same general field, the more likely we are to win friends among those people, particularly in Asia, who don't give a hang about our self-interest—enlightened or not—but are watching for an illustration that we practice what we preach.

It is mandatory, of course, that our self-interest and our moral judgment coincide on the one outstanding issue of American foreign policy—resistance to world Communism. The firm belief by us and our allies that our stand is both necessary and just overrides all component views in which self-interest and morality may part company on occasion. Without this common ground at the peak of our international efforts, we never could hope to win friends to our cause.

### **The Voice of Military Power**

But even with it, how successful have we been in the last ten years? In weighing the strength and climate of our relations with the rest of the free world, a look at the overall scope of American policy is in order. As in our direct relations with the Communist bloc, the keynote of American-Allied cooperation has been based on the eloquent voice of military power. In Europe, the North Atlantic Treaty Organization and Western European Union have

been or are to be the instrumentalities of that power. In the Far East, the Southeast Asia Treaty Organization and the Australia-New Zealand-United States pact are being shaped in the same mold.

There can be little doubt that the growth of NATO and WEU have had a profound effect on Soviet diplomacy, in the last half year especially. The vigor and determination with which the Kremlin leaders have seized the issue of German reunification as a possible means of shattering both these Western military blocs indicates how high they place them as effective deterrents of their own plans for expansion.

They have decided now to play on the strong national desire of both Germanys to re-establish themselves as one sovereign nation, in the hope that West Germany will accept neutralism as the price. Having ignited a spark of hope in West Germany by their agreement after nearly ten years to the Austrian State Treaty, the Russians have proceeded to woo Chancellor Adenauer and to purchase with German war prisoners "normal" diplomatic relations. Thus the USSR, which also has granted "sovereignty" to the East German puppet state that is not recognized diplomatically by the West, has been able to establish itself as the only power that can deal with both Germanys on the vital reunification issue.

### **A Critical Weak Spot**

But the real danger to Western military strength remains in France, and the Kremlin knows it. Not only would reunification remove Germany from the Western defense bloc, but it would ignite ever-smouldering fears among the French that somehow the Germans would march on them again. The blatant irresponsibility of the French Assembly has overcome the sincere efforts of its leaders before, and the loss of Germany to the Western defenses could bring on any number of parliamentary moves in France that might push NATO and WEU back to the embryo stage. Even now, the Kremlin's "spirit of Geneva" finds more receptive ears in politically chaotic France than elsewhere in Western Europe.

But in spite of these threats to the steadfastness of Western defense, the military position in Europe remains the one phase of allied foreign policy that seems most invulnerable to a wholesale letting down in the face of Soviet smiles. Whether it be called dealing from strength or some other slogan, the West's growing might in Europe has been the major factor in changing the direction and the weapons of the cold war there. Guns speak a language everyone understands, and as long as the West, prodded by the United States, has hit on one successful way of communicating its position, it's unlikely that language will be discarded in the foreseeable future. Some of our allies, to be sure, already want to cut back their manpower contributions to NATO, but our own determination to maintain a high level of armed potential in Europe should hold this tendency in check for some time.

In the Far East, military strength is equally important as a means of getting our message across, but it may not be either quite as effective a messenger as in Europe or quite as easy to build. First of all, we have no big-power allies to help us bear the brunt of armed attack, so that everywhere along the potential Far Eastern front—Korea, Japan, Formosa, even in Indo-China—we are holding on alone,

practically, to the free world's line of defense. The SEATO and ANZUS pacts may in time bring about changes in the Chinese Communist approach, but so far the "spirit of Geneva" has not noticeably infiltrated the Far Eastern atmosphere.

Whether our military efforts in Europe, which have had their effects on Soviet policy, also will work indirectly to lessen the danger of an armed pop-off in Asia is something we hope is true, but it's probably too early to say for certain. It well may be that although we still have to bolster our military position indefinitely in the Far East before we can force the Red Chinese to "soften" their diplomacy, our biggest job in this sphere will be in building a common ground with Asians similar to the ready-made partnership in democratic beliefs we have enjoyed for so long with Western Europe.

#### Time To Reappraise European Aid Program

Sharing top billing with military aid to all our allies has been the United States' huge spending program to bring financial and technical aid to them and to adjust our trade policies to encourage their industrial expansion. Ten years ago, the objective of the program was to "put Europe back on its feet." Now, after most of the war's ruins have been cleared and factories are humming again, that first objective is due to be re-examined.

Since the very goal of our multi-million-dollar foreign aid program has been to bring our allies to a point of self-sufficiency again, the question of whether that point hasn't been reached is bound to be asked in the coming year by economy-minded legislators. This year has seen the largest flow of congressional travelers to Europe in history, with about

one-third of all members of Congress conducting "study missions" abroad. The industrial progress being made there, in West Germany especially, is bound to encourage some of them to suggest that maybe it's time we thought of cutting down on foreign aid. Sen. Allen J. Ellender of Louisiana, in fact, climaxed a world tour just recently with a call for an end to all foreign aid to Europe.

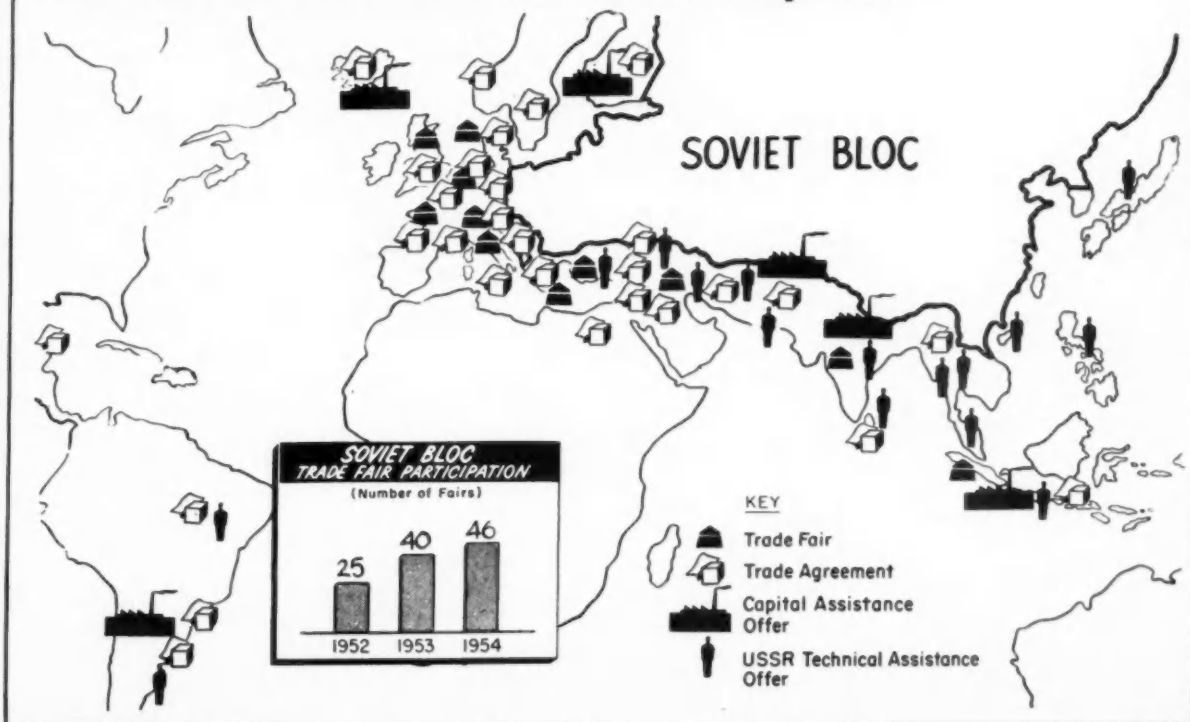
The suggestion is certain to create arguments on both sides of the political aisle, especially with a presidential election coming up. Many Republicans may seize on the idea as the way to balance the federal budget without slicing the military defense appropriation, and most Democrats can be expected to fight any reduction in aid as premature and a danger to our relations with our allies. The controversy well might provide an evaluation of our foreign-aid program by raising this one question: Have we won friendship in Europe with our policy, or have we merely bought it?

If our generous aid programs have succeeded in "putting Europe back on its feet" and have helped us to win the genuine friendship of our allies, it will be argued, there will be no real resentment to a gradual end in financial aid. Liberalizations of our foreign trade policies, many Republicans will offer, have brought about an answer to Europe's plea for "trade, not aid."

But Democrats will counter with arguments that our trade policy still is a long way from being "liberal," and that much greater concessions will be needed before we can run the risk of cutting off dollar support counted on to give stability to industrial development that is far from self-sufficient maturity.

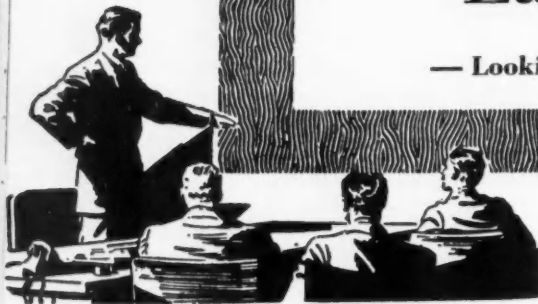
(Please turn to page 218)

## The Soviet Bloc Has Intensified Economic Competition



# What 3rd Quarter Earnings Reveal

— Looking To 4th Quarter and Early 1956



## PART II

By PHILLIP DOBBS

A measure of the continuing upsurge in the economy during the third quarter of this year may be gleaned from the selection at random of 100 companies. Of the total, only 17 failed to show an improvement in net profit from the July-September period of 1954. The laggards, and among them are a number of industrial giants, generally failed to surpass the profits showing made in the year-ago quarter because labor and raw-material costs, along with the other incidental expenses of doing business, rose sharply for the latest three-month period. Often, they failed to attain a higher net profit despite a substantial rise in volume.

Thus, though the tendency throughout the economy was for business to improve as the year progressed, the decision the past summer to grant wage increases (now spread throughout industry) has pinched profits. There were, of course, instances (notably steel and non-ferrous metals) where rising labor costs were offset by higher selling prices, but producers of consumer durables, as an example, were unable to pass on either the higher wage or raw-material costs, although many have sought to effect a partial recovery of these newly-increased expenses.

It is important to note, as a probable token of what the immediate future holds, that whereas 83% of the companies used in a spot check showed higher net profits for the quarter, 88% showed improvement on a nine-month basis. As an example, General Electric Co., one of the top companies of the nation, sustained a reversal of the trend toward increased net in the latest quarter despite a higher sales volume. Increased costs and expenses for the July-September quarter, the period when wages and materials began to mount, outran the sales gain by more than \$9 million. The showing would have been even less favorable but for a smaller tax bite, the company setting aside \$37.5 million for income tax and renegotiation, \$5.5 million less than in the year-ago quarter.

Another industrial giant, Allis-Chalmers Manufacturing Co., had a similar experience in the quarter and, indeed, for the year to date. Although net

sales billed were at record levels (about \$20 million ahead for the year to date), net profit of \$18,147,000 was some \$1,177,000 behind the 1954 showing. Here, too, the results would have been even less favorable, but for the tax set-aside of \$20,925,000, against \$22,180,000 a year ago.

At the risk of putting the emphasis in the wrong place, we have set down the growing problem of the "profits squeeze" because it points up a situation that is calculated to grow in severity in the months ahead. Already the steel industry is readying additional price rises—dictated not by wage costs but by the mills' pressing need to get enough money to expand facilities, now being worked full tilt. Republic Steel Corp., third largest in the industry, is having a banner year (cited in the first part of this article, appearing in the October 29 issue of the Magazine), yet the company insists steel prices must go even higher if the industry is to expand. At the other end of the scale, Acme Steel Co., which has a \$100 million annual volume, likewise complains that its prices have not kept pace with increased costs of labor and materials. The company's net is running some 60% ahead of last year and its business is at record levels.

There is no need to recount here the record heights of industrial activity attained in the third quarter, since this aspect was thoroughly canvassed in the first part of this article. Statistical data, from every official and private source, merely confirm that the economy continued its upward surge, albeit at a somewhat slower pace. However, a better insight to the inventory and new-orders situation has developed in the interim, hence we cite it here.

With the substantial rise in consumption and fixed investment, business inventories increased only moderately. There was some growth in manufacturers' inventories—while retail and wholesale stocks were relatively stable—but the growth at the manufacturing end was almost entirely in "goods in process" inventories. Thus, stocks of purchased materials in the year from August, 1954, to August, 1955, did not grow at all. Stocks of finished goods rose but 1% as sales moved up far faster. As a result, finished

# Quarterly Comparison of Sales, Profit Margins and Earnings

	3rd Quarter 1955			2nd Quarter 1955			1st Quarter 1955			4th Quarter 1954		
	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share	Net Sales (Millions)	Net Profit Margin	Net Per Share
Allegheny Ludlum Steel .....	\$ 64.9	6.1%	\$2.29	\$ 63.1	6.3%	\$2.32	\$ 53.6	4.5%	\$1.37	\$ 45.7	4.0%	\$1.01
Allied Chemical & Dye .....	157.2	7.5	1.41	168.7	8.7	1.63	149.4	7.8	1.29	131.3	8.4	1.16
Allis-Chalmers .....	129.5	4.3	1.35	140.6	4.7	1.65	126.3	4.6	1.47	116.3	5.0	1.67
American Can .....	240.2	6.0	1.27	171.1	5.3	.78	136.7	3.8	.42	148.4	3.9	.47
American Cyanamid .....	110.9	7.8	.90	113.7	8.0	.97	111.6	8.4	1.02	104.2	7.0	.78
Atlantic Refining .....	113.9	4.8	.58	116.4	7.7	.97	142.6	6.8	1.06	163.9	9.1	1.63
Caterpillar Tractor .....	127.8	7.0	1.05	132.4	6.3	.98	118.8	5.9	.82	103.4	5.3	.64
Colgate Palmolive Co. ....	80.9	6.2	1.99	75.4	4.5	1.34	62.4	1.7	.40	58.4	4.6	1.02
Continental Can .....	204.3	4.8	2.64	171.5	4.1	1.90	134.4	2.3	.84	140.8	2.5	.89
Corn Products .....	68.8	6.0	.46	67.9	5.3	.39	52.4	7.0	.40	50.5	8.8	.46
Du Pont .....	476.0	n.a.	2.26	469.0	19.7	1.98	478.8	19.5	2.01	461.7	26.1	2.60
Eastman Kodak .....	171.4 <sup>1</sup>	12.6 <sup>1</sup>	1.18 <sup>1</sup>	166.6 <sup>1</sup>	12.9 <sup>1</sup>	1.18 <sup>1</sup>	149.1 <sup>1</sup>	9.9 <sup>1</sup>	.84 <sup>1</sup>	168.6 <sup>2</sup>	13.5 <sup>2</sup>	1.31 <sup>2</sup>
General Electric .....	722.0	5.3	.45	758.0	6.7	.59	765.9	6.6	.58	791.6	9.0	.82
General Motors .....	3,031.1	8.3	.90	3,411.9	10.3	1.26	3,100.7	9.9	1.11	2,604.4	8.4	.82
General Portland Cement ....	9.8	21.2	1.00	9.9	22.0	1.05	8.5	19.2	.79	8.6	20.6	.84
Gillette .....	48.9	13.8	.74	44.3	16.2	.78	40.1	17.0	.74	36.7	18.0	.70
Hercules Powder .....	57.2	8.6	1.80	59.4	8.5	1.84	53.1	8.0	1.54	50.6	6.6	1.21
Industrial Rayon .....	19.3	11.3	1.18	21.4	13.3	1.55	22.2	12.3	1.48	17.6	13.5	1.27
Johns-Manville .....	76.1	9.4	2.25	75.4	8.6	2.05	56.2	4.9	.86	68.5	5.7	1.24
Jones & Laughlin Steel .....	182.3	6.7	1.89	179.3	7.7	2.01	151.9	6.3	1.50	122.8	6.9	1.31
Lehigh Portland Cement .....	20.7	16.4	1.79	20.3	15.8	1.69	11.5	12.3	.74	15.8	15.7	1.31
Minneapolis Honeywell Reg. ....	57.3	7.5	.66	58.0	6.0	.55	56.8	6.5	.59	63.7	7.4	1.45
Monsanto Chemical .....	100.1	7.1	.43	105.3	7.2	.47	102.1	8.5	.54	89.2	7.9	.43
National Biscuit .....	97.0	4.4	.60	96.6	4.8	.67	94.2	4.2	.56	106.4	5.0	.77
National Gypsum .....	38.5	11.0	1.32	38.1	11.0	1.26	33.5	10.7	1.24	33.1	11.0	1.19
National Lead .....	133.2	8.0	.89	137.3	9.7	1.14	119.4	8.4	.84	108.5	9.9	.91
Owens-Corning Fiberglass ..	42.0	7.0	.94	41.1	6.5	.85	33.9	5.5	.60	36.3	6.8	.79
Parke, Davis & Co. ....	30.4	10.3	.64	30.9	11.5	.73	28.8	9.8	.58	29.4	11.7	.70
Phillips Petroleum .....	230.3	9.8	1.32	217.7	9.3	1.35	212.2	10.4	1.50	207.7	9.9	1.40
Pittsburgh Consol. Coal ....	41.2	6.8	1.30	39.6	6.3	1.16	37.1	6.4	1.11	42.9	11.5	2.35
Radio Corp. of Amer. ....	252.1	3.2	.58	232.2	4.0	.62	256.3	4.9	.84	280.6	4.6	.87
Rayonier .....	35.3	11.8	.75	36.2	12.0	.77	34.0	10.8	.65	23.9	13.1	1.27
Reynolds Metals .....	99.8	9.6	.96	96.7	9.4	.90	87.2	8.1	.70	85.6	7.5	.46
Rohm & Haas .....	37.2	9.5	3.60	42.5	11.2	4.84	38.9	10.8	4.29	35.3	10.1	3.28
Texas Gulf Sulphur .....	20.4	35.3	.72	24.0	33.5	.81	24.1	36.4	.88	22.6	31.7	.72
Thompson Products .....	69.6	3.2	.78	73.8	4.6	1.22	72.9	4.5	1.20	65.4	4.3	1.01
Union Carbide & Carbon ....	302.8	12.4	1.30	291.2	12.0	1.22	263.0	10.8	.98	256.5	10.3	.92
U. S. Gypsum .....	70.4	15.5	6.74	65.2	15.9	6.42	56.6	15.5	5.42	54.5	15.0	5.05
U. S. Steel .....	1,035.8	8.6	1.55	1,094.8	9.6	1.85	873.3	8.3	1.25	810.0	7.0	1.92
Wrigley (Wm.) Jr. & Co. ....	23.2	13.4	1.59	22.5	13.4	1.53	20.1	14.8	1.52	19.6	13.5	1.35
Youngstown Sheet & Tube ..	156.6	7.1	3.33	157.9	6.3	2.98	139.0	5.7	2.37	106.2	6.2	1.98

n.a.—Not available.

<sup>1</sup>—12 weeks.

<sup>2</sup>—16 weeks.

goods inventories at the end of August represented only 0.61 month sales, against 0.71 month a year earlier. For the whole economy, sales rose 15% from August to August and inventories only 3%. Thus, the over-all inventory-sales ratio for manufacturing and trade fell from 1.67 months to 1.50. As compared with August, 1953, peak of the inventory glut that preceded the 1953-1954 recession, inventories dropped 2% and sales jumped 11%.

The extent of the upturn in business activity over the past year is highlighted by the large inflow of new orders placed with manufacturers. New orders in August were up one-third from a year earlier, while sales were up only one-sixth. For two years up to the fall of 1954 sales ran ahead of new orders, but for nearly a year now order backlogs have been building up again. At the beginning of September, order backlogs amounted to \$52 billion, about 10% above the low point of a year earlier but still a third lower than in September, 1952, when the mobilization boom was still going strong.

### Mergers Swell Income Account

Quite often, the latest upsurges in net profit may be traced to new acquisitions, for the past year has been marked by a wave of mergers and consolidations. Another factor that has helped to swell earnings (and it should be a continuing factor) has been the bringing into production of new facilities, for which industry across the board is spending at record levels. In the case of Rayonier, Inc., a chemical cellulose producer, close inspection of the income account shows it to be a beneficiary of both—including the accounts of a new subsidiary purchased for more than \$20 million and the aid derived from a new mill. The result was an increase of more than 50% in sales for the quarter from the 1954 period while net profit climbed to \$4,199,000, or 76 cents a share, from \$2,775,000, or 49 cents a share. St. Regis Paper Co., as another example, owes roughly half of its present upsurge in volume to new acquisitions. There are dozens of similar cases.

By and large, however, increased earnings of American corporations, shown in the scores of fields of endeavor, are due to higher production levels and improved efficiency of plant. Let us proceed to analyze at close range several of the representative companies. We would also call attention to the table of figures accompanying this article, based on official company figures and given on a quarter-by-quarter basis.

**UNION CARBIDE AND CARBON CORP.** registered substantial gains in net profit and sales for the quarter ended September 30, reflecting increased demand for the products of all of its operating groups and completion of additional productive capacity for chemicals and plastics earlier in the year. The new facility is a \$70 million chemical and plastics plant in Texas, which produces ethylene oxide, polyethylene plastics and allied materials. UCC net for the latest quarter totaled \$37,822,000, equal to \$1.30 a share, against \$21,343,000 and 74 cents a share in the like 1954 quarter. Sales climbed to \$302,856,000 from \$291,226,000. Thus, for the first nine months of 1955 new all-time highs were set for sales and earnings. Net rose 60% to \$101,436,000,

or \$3.48 a share, from \$63,146,000, or \$2.18 a share, in the corresponding nine months of 1954. Income before taxes amounted to \$202,819,000, against \$120,385,000 a year earlier. Sales for the nine-month period soared to \$857 million, compared with little more than \$667 million a year ago. The company's aggressive research and development program is reflected in the latest nine-month sales, which included a rise of about \$100 million in its chemicals and plastics business coupled with an increase of nearly \$50 million in ferro alloys to the steel industry. It is noteworthy also that the record earnings were achieved after deduction of unusually heavy charges for plant amortization and depreciation. Assuming a continuance in the current quarter of the high level of operations that has prevailed thus far this year, UCC should earn about \$5 a share for 1955, against \$3.10 last year. This would place final quarter's earnings at about \$1.50 a share.

**EASTMAN KODAK CO.** showed a sizable rise in sales and earnings for the quarter ended September 4 despite a decline in sales to the Government of special military products. This was more than outweighed, however, by continued improvement in such lines as photographic products, textiles, plastics and chemicals. Net for the period increased to \$21,616,000 equal to \$1.18 a common share, from \$18,825,000, or \$1.07 a share in the like 1954 quarter. Sales were \$171,434,000 and \$152,715,000 respectively. This brought sales and earnings for the 36 weeks to September 4 to the highest level of any corresponding period. Net climbed to \$57,982,000, equal to \$3.15 a share on the 18,277,260 common shares outstanding. This represents a 23% increase over the net of \$46,959,000, or \$2.68 a share on 17,402,261 shares outstanding a year earlier. Taxes in the respective periods totaled \$69,600,000 and \$53,499,000. Consolidated sales of its United States establishments rose 13% to \$487,284,000 from \$430,847,000. The pattern this year is in sharp contrast to 1954 when, in each of the first three quarters, sales were slightly less than in the prior year. A record fourth quarter, however, brought the year's total almost to the record 1953 figure. Record net of \$69,822,000 achieved last year is certain to be topped in 1955 and this year's sales should easily surpass the 1953 high. Such an accomplishment would be impressive in the light of the decline—on the order of 14%—in Government and defense business.

**GENERAL ELECTRIC CO.**, since the onset of summer, has been absorbing a considerable increase in raw-material and wage costs, with the result that this giant of the electrical industry has sustained a decline in net for the third quarter despite a small rise in sales. Thus, while sales rose about \$2.2 million, costs and expenses increased \$11.3 million. Net amounted to \$39,467,000, or 45 cents a share, compared with \$42,335,000, equal to 49 cents a share, in the like 1954 period. Since these higher costs were not imposed until recent months, earnings for the first nine months of the year were 4% greater than in 1954 and the largest for any comparable period in the company's history. Nine months' net totaled \$141,359,000, or \$1.63 a share, against \$136,191,000, equal to \$1.57 a share, in the first nine months of 1954. Earnings per dollar of sales this year

(Please turn to page 221)

# Stocks With Hidden Assets

By W. A. HODGES

The term "hidden assets", as applied to investments and other properties of certain corporations, is often an inapplicable designation. This for the reason that in many instances a corporation's "hidden assets", although not labeled as such, are brought out into the open to be seen by all. Frequently, however, the present or potential value of these holdings is recognized by relatively few investors.

Others, prudent and thorough in many respects, will give close attention to earnings and financial position of a corporation and, being satisfied as to the rate of progress it is making, will stop there. It is always wise to delve deeper into facts and figures, especially those that refer to "income from other sources" appearing in an earnings statement or those that are sometimes referred in the balance sheet as "investments". Determining just what is "income from other sources" or what is wrapped up in the one word "investments" might prove a revelation.

Admittedly, some "hidden assets" are not always readily discernible in corporate statements. They may be obscure because of lack of description and in addition might be carried in the balance sheet under one heading or another at "nominal value" or "at cost or below". Conservatism dictates this policy, but dollar value as set forth is not necessarily an index of true value as measured by earning power or the long-range growth potential of a "hidden asset".

This fact was discussed at some length in our article captioned "Companies With 'Bonanza' Growth Potentials" which appeared in the January 8, 1955, issue of The Magazine. Reference was made at that time to the *Union Pacific Railroad* as an example of "hidden assets" developing great earning

power and adding substantially to the intrinsic value of the road's common stock. It would have been difficult some years ago for an investor to uncover these "hidden assets" on a cursory reading of UP's financial statements. Yet, they were there, although such general headings as "investments" or "investments in affiliated companies" gave no indication that among these assets were valuable oil and gas producing lands located in California, Colorado, Wyoming, Nebraska and Kansas which, except for certain acreage, have been developed by UP's own oil and gas division. From the beginning of these operations to 1954 year-end, the company's receipts from sale of oil, gas and other products have been \$431.1 million. After allowing for drilling, development and other expenditures, the net amount realized was approximately \$276 million. Last year these receipts reached a record high of \$48 million with net income from oil and gas operations, allowing for approximately \$10.7 million for Federal income taxes, amounting to \$23 million. This was equal to \$5.17 a share on UP's outstanding common stock on which the road earned \$9.07 from transportation operations which, augmented by other income and after allowing for preferred dividends, brought 1954 net for common up to \$14.76 a share, more than twice annual dividend requirements of \$7.00 a share.

Oil and gas operations however, may ultimately prove to be but one phase of UP's activities in fields other than rail transportation. For some time the company's own Geological Department has been exploring for mineral deposits of potential commercial importance in areas adjacent or tributary to the Union Pacific. Surveys made in southeastern Wyoming indicate there is a large body of iron-titanium ore, part of which is on UP land now being

### Companies With Assets In Mineral Rights

El Paso Natural Gas .....	Owns approximately 60% of Rare Metals Corp., organized to explore for and develop fissionable materials and rare elements. Rare Metals has acquired all the capital stock of Arrowhead Uranium Co., which holds proven reserves of uranium ores and other mining claims.
Humble Oil .....	Has discovered a major sulphur deposit off the Gulf shore of Louisiana which may rank among the four top sulphur discoveries in the world.
Montana-Dakota Utilities .....	Controls some 220,000 acres of leases in the Williston oil basin, 90,000 acres of which are in the Cedar Creek anticline where Shell Oil is conducting an active development program with good results.
Republic Steel .....	Has acquired rich titanium ore deposits in Mexico with proven reserves of 25 million tons.
St. Regis Paper .....	Owns more than 300,000 acres of woodland in the Florida Panhandle. Has all the mineral rights on 42,000 acres; an undivided one-half interest on 171,000 acres, and up to one-half interest in the balance. These holdings are considered to be the largest blocks of lands still not leased to oil companies in the area where oil exploration is centered.
Southern Pacific .....	Subsidiaries or affiliates own oil, gas and mineral rights or royalty interest in 1.2 million acres, principally in land previously sold. Also owns over 4 million acres of outlying lands. In 1955, initiated a program of exploration for minerals in these lands.

test-drilled to obtain further information as to the extent of these deposits. Because of technical problems involved in connection with the processing and separation of titanium from the iron, it is expected that it will be a number of years before mining operations can be established on a large scale. Meanwhile the Geological Department continues its exploration for other potentially valuable minerals, including radioactive ores.

### Atchison's Uranium and Oil Interests

Most investors recognize the *Atchison, Topeka & Santa Fe Railway Co.*, as one of the nation's leading carriers. Supporting this estimation is the road's 1954 total operating revenues of more than \$532 million which produced \$63.9 million in net railway operating income. To this latter figure, however, is added \$10,031,427 more in net income from other sources. This fact is brought out prominently, and for that matter is included in "Highlights of 1954" in the company's report for that year for all to see. Not so obvious, however, to the casual reader of the report is the origin of this additional income that accounted for 15.6% of the year's total. Only by dissecting the various statements could it be determined that \$6 million of the added income came in the form of cash dividends from Atchison's wholly-owned Chanslor-Western Oil and Development Co., and affiliates. This is an asset which the

railroad company carries at a balance sheet value, without direct reference to it, of \$12 million. This is an asset that for 1954 showed earnings, after Federal income tax, of \$7.8 million and after payment of the \$6 million in dividends to the parent company, increased its surplus to more than \$69 million. The Haystack Mountain Development Co., is another of Atchison's "hidden assets" that can be uncovered by carefully scrutinizing the latter's statements. Haystack Mountain is a wholly-owned subsidiary formed for the purpose of mining the uranium ores near Grants, New Mexico, on lands where the Sante Fe Pacific Railroad Co., another wholly-owned subsidiary owns the mineral rights. Although Atchison carries the mining subsidiary on its books at a value of \$100,000, net income of the latter in 1954, the first year of profitable operations, amounted to \$531,518, after Federal income tax. It is obvious Atchison has put a nominal value on this uranium ore deposit and complying with AEC policies has disclosed no detailed information of the extent of the ore or its uranium content. It is also a question as to just what value can be put on the Chanslor-Western Oil and Development Co., holdings which include a 72% interest in the Kirby Lumber Corp., owning large tracts of timberlands in West Louisiana and East Texas on which several producing oil wells have been drilled.

### Why Anaconda Changed its Corporate Title

Last June when Anaconda Copper Mining Co., by dropping the words "copper mining" from its corporate title to make it read *The Anaconda Company*, it was motivated by more than just a desire for a change of name. Anaconda, some time ago, became aware that because of growth and diversification of the industries in which it is engaged the original name was not only no longer appropriate but a misnomer. Despite adoption of the new title, many investors continue to see the company primarily as a copper producer and a few are cognizant of the fact that it is also the largest producer of zinc in the U. S.

These operations have a tendency to throw into shadow Anaconda's activities in other fields, including aluminum production and the mining and processing of uranium ores. These are two fields which for Anaconda appear to hold substantial growth potentials, although they are both relatively new. It was only last August that its 95%-owned Anaconda Aluminum Co., \$65 million primary aluminum plant at Columbia Falls, Mont., put the first pot-line in operation, the first step toward capacity production at the rate of 60,000 tons a year. Part of output will be taken by The Anaconda Co.'s two fabricating subsidiaries, Anaconda Wire & Cable Co., and The American Brass Co. The former now has five separate fabricating mills in the U.S., including an aluminum rod-rolling mill at Great Falls, one of the most advanced in the country and almost completely automatic. By this time next year, American Brass, currently producing small quantities of aluminum sheet and strip at its Torrington, Conn., Division, is expected to have its \$25 million integrated aluminum mill at Terre Haute, Ind., in operation, casting aluminum ingots and billets, rolling of sheet and strip and extrusion of tubes, rods and special shapes.

Near Grants, New Mexico, Anaconda's uranium

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ore processing plant which under contractual agreements with the AEC has been handling ores purchased from other producers as well as company owned ores, went into operation in the latter part of 1953, is now being expanded to provide additional ore processing facilities. These operations represent but one phase of Anaconda's activity in the uranium field. About 50 miles from Grants, the company has discovered and is developing The Jackpile Mine, comprising two major uranium sandstone ore bodies from which shipments in limited quantities have already been made to the processing plant. AEC restrictions put estimated ore tonnage in the "classified" category, but the Jackpile, an open-pit operation, has a multi-million ton deposit of uranium-bearing sandstone ore. Simultaneously with the work of getting these properties on a large-scale production basis, Anaconda has acquired rights to prospect, with options to obtain uranium mineral rights, on various other properties involving substantial acreage within the general area tributary to the plantsite at Grants.

### Another Misnomer

Another misnomer so far as corporate titles are concerned is that of *National Lead Co.*, which, perhaps best known to the general public through its famous "Dutch Boy" paints and paint materials, numbers among its products, pigments and chemicals, oil well drilling materials, lead products, lead alloy products, acid handling equipment, and a long list of other metal and general products. Some idea of the scope of its business is obtained from 1955 first half-year net sales of \$256.7 million and record high net income for any six months' period of \$23.5 million, up by 34% from the first half of 1954. Net for the common stock in the six months to last June 30, was equal to \$1.97 a share, as compared with \$1.46 a year ago.

Among National Lead's interests are its expanding work in the atomic energy field, its majority stock ownership in the Nickel Processing Corp., which operates the U. S. Government-owned nickel plant in Nicaro, Cuba, and its joint ownership with Allegheny-Ludlum Steel Corp., of Titanium Metals Corp., of America. These are assets of National Lead that many investors are apt to overlook in making a study of the company's operations. Its joint ownership of Titanium Metals Corp., is of particular interest because of the potential markets for titanium metal and the unique position of the latter company in the titanium metal industry. It is the only integrated producer of the metal in the U. S., starting as it does with rutile, the raw material, which it converts into sponge, reduced to metal, and fabricated into usable shapes. Although

military aircraft continue to take the major portion of available metals, an increasing quantity is going into new commercial airliners. The big civilian potential, however, remains untapped, and in anticipation of growing demand, Titanium Metals is giving consideration to expanding production facilities.

National Lead's titanium interests go beyond its joint ownership of Titanium Metals Corp. At Tahawus, N. Y., National Lead's Titanium Division has the largest single source of titanium-bearing ore in the world. There the ilmenite and co-product iron ore is blasted from a series of ledges, picked up by giant power shovels to be transported to the ore processing mills. In Australia, a subsidiary has been producing rutile ore for a number of years. During 1954 this subsidiary carried on a successful exploration program in that country, adding to its reserves of rutile, the raw material used for the production of titanium metal. Following this, it began constructing new mining and concentrating facilities, giving it increased productive

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### Companies With Assets In Varied Fields

Company	Investments In Other Companies	Number of Shares	Current Value of Holdings Per Share 10/25/55	Increase In Value Per Share Sept. 1953 To 10/25/55
Allied Chemical & Dye.....	U. S. Steel .....	284,600	\$ 1.74	\$ 1.22
	American Viscose .....	334,000	2.41	1.06
	Air Reduction .....	7,140	.29	.12
	Owens-Illinois Glass .....	416,618	2.78	1.18
	Libby-Owens-Ford Glass ..	56,100	.50	.30
	Virginia-Car. Chem. Pfd...	43,502	.59	.06
			\$ 8.31	\$ 3.94
American Metal .....	Rhodesian Selection Trust..	10,715,984	20.54	13.33 <sup>1</sup>
	Roan Antelope Copper ....	2,934,268	12.95	6.49
	Consol. Coppermines .....	164,800	.93	.62
	Climax Molybdenum .....	225,000	4.39	2.06
	O'okiep Copper .....	201,369	6.01	3.51 <sup>1</sup>
			\$ 44.82	\$26.01
Gulf Oil .....	British Amer. Oil .....	2,300,000	2.61	1.08
	Texas Gulf Sulphur .....	1,268,394	4.17	2.78
	Trans. Mt. Oil Pipe Line ....	130,000	n.a.	n.a.
			\$ 6.78	\$ 3.86
Owens-Illinois Glass .....	Gair (Robert) .....	500,000	2.28	1.06
	Owens Corning Fiberglas... 1,050,000		14.42	7.90
	Container Corp. of Amer....	60,000	.67	.39
	Pennsylvania Glass Sand..	33,831	.28	.13
			\$ 17.65	\$ 9.48
Phelps Dodge .....	Amerada Petroleum .....	200,000	1.71	.24
	American Metal .....	322,975	1.81	1.21
			\$ 3.52	\$ 1.45
Standard Oil of Indiana....	Standard Oil of N. J. ....	1,812,720	7.46	3.73
	Midwest Oil Corp. ....	1,175,000	1.01	.25
			\$ 8.47	\$ 3.98
Standard Oil of N. J.....	Humble Oil .....	31,439,253	48.04	22.10
	Croale Petroleum .....	73,724,604	74.36	48.45
	Imperial Oil .....	20,787,800	15.12	6.23
	International Pete .....	11,994,917	5.13	1.83
			\$142.65	\$78.61
U. S. Smelting .....	Anderson Prichard Oil ....	10,000	.90	.15
	Pond Creek Pocahontas ....	20,000	1.92	.60
	Island Creek Coal .....	24,600	1.20	.46
			\$ 4.02	\$ 1.21

n.a.—Not available.

<sup>1</sup>—Increase in value from 2/20/1954 to 10/25/55.

# Campbell's SOUP



*A Comparative Analysis —*

## TWO LEADING FOOD PROCESSORS

By GEORGE W. MATHIS

When H. J. Heinz Company completed its 86th fiscal year last April 27, it was in a position to tell its shareowners that net sales set a record high at \$234.1 million. This was \$13.5 million more than the previous year's net sales, and going back over the last decade more than twice the volume for fiscal 1946.

Heinz's gain in fiscal 1955 sales over the preceding year amounted to 6%. More striking was last year's increase in net earnings of the company and its subsidiaries, including those operating in Canada, Great Britain, and Australia, which amounted to \$8,782,324. This was 57% greater than the \$5,585,676 earned in 1954, and after preferred dividends was equal to \$5.02 a share for the common stock. In the previous year equity earnings were \$3.12 and in the year before that, \$3.09 a share.

For obvious reasons, Heinz doesn't disclose how much of last year's and previous years' sales and earnings were contributed by its canned soup business and how much by other products that make up the world-famous "Heinz 57 Varieties." It is equally obvious, however, that its rate of gain makes a favorable comparison with that of its formidable competitor in the canned soup market, Campbell Soup Company, which like Heinz, got its start in 1869.

### Campbell Moves Up Fast

It hasn't been a "neck-and-neck" race though. Campbell, from the standpoint of consolidated net sales, pulled out in front some years ago. By 1946, net sales had reached \$136.5 million. In the following year, Campbell and its subsidiaries boosted sales by \$43.7 million more, bringing the total for fiscal 1947 to \$180.2 million. Volume has moved upward in each subsequent 12 months' period, reaching a record high at \$377.5 million for the fiscal year ended July 31, 1955. This was a gain of \$38.9 million, or 11.5% compared with H. J. Heinz's 6.6%, over the previous year. There is some distortion in the comparison of the two companies on this basis for

the reason that Campbell Soup's sales volume for fiscal 1955 were influenced by the addition of C. A. Swanson & Sons business during the final quarter, acquisition of the latter company having become effective on May 6 last.

Net income for Campbell for fiscal 1955 was also at a record high of \$29.1 million. This was \$5.5 million, or 23.6% greater than the previous year's showing and equal to \$2.86 a share for the 10,173,598 average number of shares outstanding during the year, compared with \$2.31 a share, on the same basis, for fiscal 1954. Campbell's net income last year as a percentage of net sales increased to 7.7% from 7.0% for the previous year as compared to the Heinz company's 3.8% for fiscal 1955, which increased from 2.5% for fiscal 1954. Campbell also has the edge on Heinz in connection with net income as a percentage of net worth, that for Campbell being 13.5% of shareowners' equity of \$215.9 million as of July 31, 1955, as against 9.1% of the Heinz company's common stockholders' equity of \$95.7 million as of April 27, 1955.

### Heinz Sheds Its Wraps

Heinz is making every effort to improve on these percentage figures by going out after more of the canned soup market through more aggressive advertising through various media, and changing its traditional distribution system of direct selling and delivery to retail stores. One of the first major moves was made during World War II when in place of the ready-to-serve soups that it had been marketing up to that time it began producing condensed soups, thus putting itself in more direct competition with Campbell which had built its business on just such a product. Along with this development, Heinz has set about adapting its operations to the changing demands of the times. In place of the former policy of refusing to deal with food brokers and other distributors and insisting upon selling direct to retailers, it is now utilizing the services of well-organized, effective retail buying groups, capable of

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providing improved delivery service at lower cost to its customers. This method of distribution is more in line with the changing demands of the market, mushrooming shopping centers, the growing number of supermarkets, and mass merchandising. While making more Heinz products available to more consumers, the change in distribution system will enable the Heinz force of approximately 1,400 salesmen to devote more time to in-store merchandising and to assisting distributors and retail grocers in promoting the sale of the company's products. Heinz, giving emphasis to the plan, is expanding its salesmen's training program with the objective of obtaining maximum efficiency and sales productivity.

Heinz, of course, has as one of its objectives a greater share of the canned condensed soup market, developing, at the same time, increased sales of its ready-to-serve soups which it continues to produce, as well as the great variety of its other foodstuffs making up Heinz old-line products and more recent products it has developed to give the company increased diversification. In this latter group are "Heinz Minute Meals" that include Beef Goulash, Chicken Noodle Dinner, Chop Suey, Macaroni Creole, and Spanish Rice, and "Heinz Stews", including Lamb, Beef, and Chicken with Dumplings. All of these have been gaining growing acceptance in both the grocery and restaurant trades.

Although Heinz does not disclose sales volume nor profit margin on its Baby Foods it is reasonable to believe that these products are important contributors to sales and earnings. From the beginning in 1933 when the company introduced strained meats, vegetables, and fruits for infant consumption, it has added to the line to meet a rising demand reflecting the growing recognition of pediatricians that babies fed on such foods at an early age grow more rapidly, have greater vitality and demonstrate higher disease resistance.

During the past fiscal year, Heinz achieved still greater diversification through the introduction of new ready-to-serve products, provocatively called "Senior Foods", prepared to satisfy at least some of special nutritional requirements of those of advancing years. At the present time, these products consist of beef, lamb, and chicken stews, produced without the addition of salt and high in proteins, calcium and iron content, but low in calories. Test marketing of "Senior Foods" received enthusiastic response of consumers and nutritionists and although the company recognizes that those in the upper age brackets may, at first, be reluctant to admit their need for special foods, it is optimistic about the market potential of the newest of the "57 Varieties." Today there are approximately 18.5 million persons in the U. S. who are 60 years of age and over, as compared to only 8 million 35 years ago, and Census figures show that by 1960 there will be about 23.5 million people in the 60 years or more age group. Increasing the optimism over the market potential judged to be greater than that for Baby Foods is the fact that infants are consumers of the latter

products for only about two years while older people should be consumers of Senior Foods for an average of 15 years.

While Heinz is increasing its product line and progressing steadily in expanding sales in this country, its international organization made up of Heinz in Great Britain, Heinz in Canada and Heinz in Australia are moving forward, reporting record-breaking sales volume for fiscal 1955 and contributing in excess of \$5.8 million to total consolidated net income of the Heinz company's \$8.7 million.

#### Campbell Aims at Half-Billion in Sales

Although Campbell Soup Co., is watching the Heinz effort to capture a greater share of the domestic canned condensed soup market it appears to be more concerned with the job of getting more people to consume more soup. As Campbell's President Murphy expressed it: "We sell a large quantity of Campbell's Soups—billions of cans—but the consuming public is also very large and growing each year. Our unit volume today is small when expressed in terms of the number of servings of soup by the average family—one to two times a week. A major portion of our development and marketing programs is directed toward increasing this frequency to a higher level."

Campbell reflects this confidence by setting its 1960 sales goal at \$500 million. Its attainment would be a continuation of the growth that has characterized the company's past history which can be attributed in part to quality of products, aggressive advertising and merchandising, and to research resulting in improvement of established products and the development of new products. In this connection, 41 of Campbell's 68 present items were not made a decade ago. While its red-and-white labeled cans of condensed soup, mass displays of which are a familiar sight in grocery stores throughout the U. S., and in many foreign countries, account for the bulk of net sales.

(Please turn to page 222)

#### Statistical Comparison

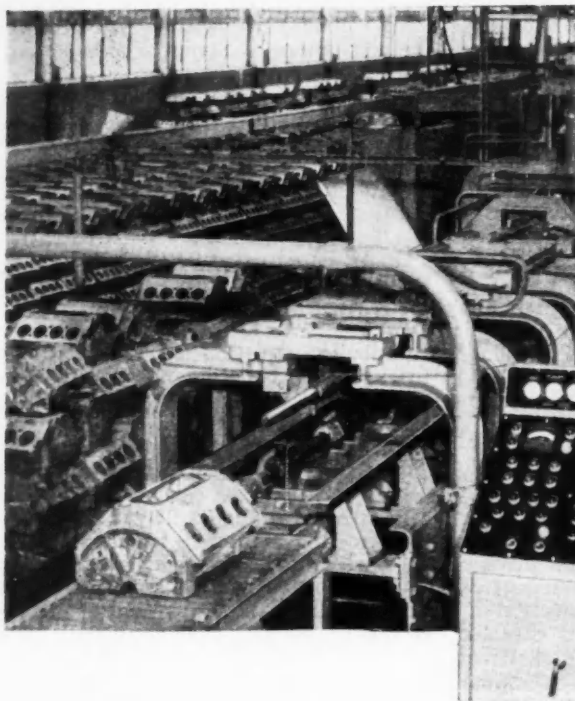
CAMPBELL SOUP COMPANY				H. J. HEINZ CO.			
CAPITALIZATION:**				CAPITALIZATION:**			
Long Term Debt	.....	None		Long Term Debt (Mil.)	.....	\$21.3	
Preferred Stock	.....	None		Preferred Stock (Mil.)	.....	\$ 8.4	
Common Stock (No. of Shares)	.....	10,667,065		Common Stock (No. of Shares)	.....	1,688,897	
Total Surplus (Mil.)	.....	\$196.7		Total Surplus (Mil.)	.....	\$48.5	
Working Capital (Mil.)	.....	\$141.0		Working Capital (Mil.)	.....	\$85.8	
Book Value (Per Share)	.....	\$ 20.25		Book Value (Per Share)	.....	\$56.71	
	Net Sales† (Millions)	Earnings Per Share†	Div. Per Share		Net Sales†† (Millions)	Earnings Per Share††	Div. Per Share
1946	\$136.5	\$ 1.30	\$ .60	1946	\$114.1	\$ 2.66	\$ 1.25
1947	180.2	2.26	.80	1947	144.2	3.45	1.38
1948	225.0	1.85	.80	1948	169.4	2.77	1.50
1949	256.4	2.04	.80	1949	174.8	3.61	1.50
1950	260.3	2.61	1.60	1950	170.5	2.38	1.50
1951	289.3	2.13	1.60	1951	189.0	4.19	1.50
1952	305.6	1.99	1.20	1952	205.9	3.25	1.80
1953	327.5	2.13	1.20	1953	219.5	3.09	1.80
1954	338.6	2.36	1.20	1954	220.6	3.12	1.80
1955	377.5	2.86	1.50	1955	234.1	5.02	1.80
Price Range 1954-55..44¼-37½				Price Range 1954-55..60½-31¼			
Recent Price				Recent Price	.....		
Indicated Div.				Indicated Div.	.....		
Indicated Yield				Indicated Yield	.....		

\*—Bal. sheet items as of July 31, 1955.

†Fiscal years ending July 31.

\*\*—Bal. sheet items as of April 27, 1955.

††Fiscal years ending approx. April 30.



# 10 LEADERS in AUTOMATION

By J. H. PARTRIDGE

*A tunnel-type broaching machine with a productive capacity of 133 cylinder blocks per hour exemplifies technological advancement in machine tools, designed to meet requirements of automation in industry, permitting improved quality control, increased output and lower costs.*

Two years ago when The Magazine of Wall Street presented its article "New Trend to Automatic Machinery" which, incidentally, probably was the first reference to "automation" by a non-technical publication, few persons other than a small group of industrialists knew the meaning of the term.

This was made more evident when early in 1955, the word "automation" made the headlines in the daily press and talk was heard of "push button" factories and other equally fantastic notions. A cross-section of such opinion would lead one to believe that industry was fast approaching the time when its production would be fully automatic and skilled and semi-skilled workers could be displaced by robots. It can be readily understood, in view of these erroneous conclusions, why labor and labor leaders looked upon automation as a bogey that threatened serious economic and social problems; that is, if automatic processes should replace workers to any appreciable extent.

## The Meaning of "Automation"

Labor's apprehension of a decline in employment can be easily understood. It's the same apprehension felt at various times over several centuries as technological advancements in manufacturing processes were achieved and put into use. These technological innovations have made possible lower costs and improved quality essential to mass markets, and have also made possible, particularly in this country, a high standard of living for the great majority of people. Automation, when fully understood, is not likely to be any more of a threat to employment than were the technological advancements in the past, fear of which proved to be groundless. Contrary to widespread belief, nourished by stories which were

merely figments of the imagination of uninformed persons, automation is not something to be installed in a plant over a week-end, throwing hundreds of workers out of employment. In this connection, it should be realized that "automation" is a term loosely applied to such things as simple automatic controls that have been in use since the early days of mechanization. More appropriately, automation can be applied to the automatic handling of materials, including high-speed transfer machines capable of performing a series of operations such as machining automobile crankshafts, engine blocks, or cylinder heads, in proper sequence in far less time than would be possible by former methods. Use of such equipment not only positions the work for each operation, but makes adjustments for wear on the cutting tools, and indicates when a cutting tool has lost its efficiency.

A more advanced form of automation is that which employs electronic computers which "supervise" the work in progress for greater accuracy, less spoilage, and to reduce the need for direct human supervision. In well advanced systems of automation, details of the progress of the work in process is automatically fed in a computer, such information providing a check on results at fixed and frequent intervals. The computer then interprets the information and sends back instructions in a numerical code on perforated paper tape, magnetic wire or tape, or on film as to the next necessary step, and the machine automatically responds.

## Automation in the Automotive Industry

Such elaborate systems of automation, however, can seldom be used in more than a few phases of production, although similar systems in modified form appear destined to be developed with the trend

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in manufacturing being toward considering the entire factory as a machine with integrated parts. The greatest advances in automation have undoubtedly taken place in the plants of the "big 3" of the automotive industry whose employment rolls nevertheless are at a historic peak. For instance, the Ford Motor Co., which coined the word "automation" some years ago, has been one of the leaders in "automating" production processes. Since 1946 about 95% of its facilities are either new or have been modernized and by the time its currently planned facilities programs are completed, it will have spent more than \$2 billion 600 million for facilities alone. Yet, Ford now employs more than 193,000 people or 55% more than it did in 1946, but despite this increase and the great expansion of plant facilities, use of over-time and extra-shift operations, it was not able, during the first nine months of this year, to produce enough cars to meet the demand.

Ford's experience supports its statement that it does not share the apprehension of some that increased use of automation may throw thousands of people out of work or otherwise dislocate our economy.

Without automation, Ford's Vice President D. J. Davis, stated recently there simply would not be enough production of steel, chemicals, petroleum and many other products, and certainly not at prices people could afford to pay. Without the technological process since the turn of the century a car that actually costs \$1,800 today would cost approximately \$50,000.

At Chrysler Corp.'s Plymouth Division new Detroit plant an automatic assembly machine in use for two months is reported to have cut engine assembly costs by 50%, and reduced by 20 to 25% the amount of labor required, making it possible to shift these men to other jobs in the plant. This assembly machine, built by the Cross Co. of Detroit and costing \$250,000 is a quarter-mile long, feeds cylinder blocks at one end, right cylinder heads at another point and left cylinder heads at a third point. As these castings move along, parts are added

automatically and the assembled engines are removed at the end of the line. Similar machines, it is said, are being prepared for Ford and General Motors, while General Electric and Westinghouse Electric are also showing an interest in them.

### Automation's Unlimited Field

Automation, in the broad meaning of the word, is not confined to manufacturing. Automatic computers, among the leaders of which are the various models of International Business Machines and Sperry-Rand, are being used in a constantly widening field to process data in many types of business and in conjunction with business machines for automatic preparation of payrolls, dividend checks, and innumerable similar functions. Through the use of a Remington Rand Division high-speed "Univac" computer the Chesapeake & Ohio Ry. Co., recently prepared 90,000 quarterly dividend checks in less than half a day.

In warehouses, in mines, on farms, and many other places, automation technology for handling materials is common practice. In virtually all industrial operations there is a wider adoption of automatic recording and controlling devices. The trend toward their adoption is well established in many industries, such as oil refining, chemicals, steel, food processing, paper, ceramics and others. Important technology advances and the increasing pressure of competition as well as the need for cost cutting through more economical production will continue to stimulate modernization and process improvement programs.

In view of all this the prospect is for continuing and greater automation in industry, creating a demand for materials handling equipment, recording and controlling devices, machine tools and other equipment in industry which should have a stabilizing and stimulating effect on the economy as a whole while the rising need for materials handling equipment, recording and controlling devices, machines, tools and other facilities should benefit a number of

### 10 Leaders in Automation

	Net Sales		1954		1955		Price Range 1954 - 1955	Recent Price	Div. Yield
	1954 (Millions)	9 Months 1955	Net Per Share	Div. Per Share	9 Months Net Per Share	Indicated Div. Per Share			
Chain Belt .....	\$ 39.5	\$ 32.9	\$ 3.87	\$ 2.50	\$ 3.90	\$ 2.50	55 1/4 - 33 1/2	52	4.8%
Cincinnati Milling Machine .....	110.4	n.a.	10.71	4.00	1.87 <sup>1</sup>	3.00	84 1/2 - 47	64	4.6
Cutler Hammer .....	54.1	45.3	6.20	3.00	5.55	3.00	70 - 39	70	4.2
Food Machinery & Chemical .....	225.3	137.6 <sup>1</sup>	3.82	2.00	2.45 <sup>1</sup>	2.00	61 1/4 - 37 1/2	53	3.7
International Business Mach. ....	461.3	n.a.	11.35	4.00 <sup>2</sup>	9.38	4.00 <sup>2</sup>	450 - 196	395	1.0
Link Belt .....	111.2	60.1 <sup>1</sup>	3.24	3.00	1.88 <sup>1</sup>	3.00	55 1/2 - 38 1/4	47	6.3
Mesta Machine .....	46.3	21.5 <sup>1</sup>	5.38	2.50	1.04 <sup>1</sup>	3.00	52 1/4 - 28%	45	6.6
Minneapolis Honeywell Reg. ....	229.4	172.2	2.42	1.30	1.79	1.50	70 - 33 1/2	54	2.7
Monarch Machine Tool .....	18.3	6.0	3.16	1.50	(d) .33	1.20	27 1/4 - 16 1/4	20	6.0
Sperry-Rand .....	..... <sup>4</sup>	157.8 <sup>3</sup>	..... <sup>4</sup>	..... <sup>4</sup>	.35 <sup>3</sup>	.32	29 1/4 - 21 1/4	22	3.0 <sup>5</sup>

(d)—Deficit.  
n.a.—Not available.

<sup>1</sup>—6 months.  
<sup>2</sup>—Plus stock.  
<sup>3</sup>—Quarter ended 6/30/55.

<sup>4</sup>—Merger pro-forma report not available.  
<sup>5</sup>—Based on indicated annual rate.

companies, particularly those on which we comment in the following paragraphs and which are listed in the accompanying tabulation as the "10 Leaders in Automation."

**Chain Belt Co.**—Constantly is developing its stake in the field of automation through intensive research and development. The company has developed such products as the vacuum dehydrator for the citrus fruit industry and improved conveyor chains for a wide range of industry. For the first nine months of the current fiscal year sales approximated the total for the preceding full year. While net is running sharply ahead of year-ago figures, the company has begun to feel the pinch of increased labor and material costs. A measure of the growth of this Milwaukee company may be gleaned from the fact that it has increased volume about fivefold since pre-war 1940. With an indicated dividend of \$2.50, the stock sells to yield nearly 5% and coverage is ample.

**Cincinnati Milling Machine Co.**, has benefited from the growth of machine tools in United States industry, which now has more than 2 million of these machines in use, compared with 840,000 in 1925. The business, of course, is highly cyclical and the tremendous growth of recent years may be attributed to World War II and the Korean War. More than 60% of these machines are now 10 years old or older, contrasted with 44% in 1925. Thus, the number of obsolescent machines which should be considered for replacement is greater than ever before. Moreover, machine-tool users appear increasingly production-cost conscious. Improvement of methods, simplification, combination or elimination of operations along with more productive machines are proven ways to lower costs. Last year the economy was undergoing readjustment and the machine-tool industry began the always difficult stepdown from a defense emergency peak to normal peacetime volume. Shipments declined to \$110.5 million from \$150.5 million in 1953 and net profit slipped to \$9,321,000, or \$10.73 a common share, from \$11,050,000, or \$12.76 a common share, in 1953. This year the slide accelerated sharply, with net for the 24 weeks to June 18 totaling \$818,000, against \$6,854,000 in the comparable 1954 period. Last year, the company paid 75 cents at quarterly intervals, plus \$1 extra at yearend, for a total of \$4. Thus far this year, the company has declared 75 cents in each of the first three quarters. It is doubted that the payout this year will reach the \$4 level. The company is expected, however, to show a considerable recovery from the low levels of the first 24 weeks in the balance of the year.

**Cutler-Hammer, Inc.** This stock is covered in the article "Reappraising Outlook for 100 Active Stocks" appearing elsewhere in this issue.

**Food Machinery & Chemical Corp.** has achieved broad diversification in the machinery and chemical fields through research, engineering developments and acquisitions. Its machinery division is a leader in food-processing and packaging equipment. The company's record over the past quarter of a century, and particularly in the postwar years, has been one of steady growth. Record sales and net are in pros-

pect for this year. Payments on the common stock have been made without interruption since 1935. The 50-cent quarterly dividend currently being paid is extremely modest in the light of the high earnings trend. An upward adjustment in the near future is anticipated. Now selling around 53, the yield is 3.7%.

**Int. Business Machines**—Produces the so-called "electronic brains," the data-processing machines that have brought a large measure of automation into office and factory. These are rented, rather than sold, with the "giant brains" bringing in \$18,000 to \$30,000 monthly. The growing popularity of these electronic computers is attested by the steadily rising profits of the company. Continuing the increased earnings trend of the first and second quarters, IBM had net profit for the nine months to September 30 of \$38,437,000, equal to \$9.38 a common share. This compares with net of \$33,575,000, or \$8.19 a share in the like 1954 period. In the latest quarter, the company received orders for 34 large-scale 700-series electronic data processing machines, renting for an average of \$30,000 monthly and 170 intermediate-size 650 computers, renting for an average of \$3,500 a month. In addition to its computers widely used in the military establishment, the company continues to make strides with its electric typewriters and time equipment. Selling at 395 and paying only \$4 a year, the yield is little more than 1%. However, the cash dividends have been supplemented from time to time by stock dividends. The company feels its policy of retaining cash for expansion needs and paying small cash dividends plus stock preclude the need for outside borrowing while serving to reward long-time stockholders.

**Link Belt Co.** has grown since 1875 in keeping with the rising importance of mass production. Its conveyors, elevators and shovel-cranes, to cite just a few products, reduce handling costs in an endless variety of mining, construction, processing and manufacturing operations. Link-Belt processing machinery speeds handling, increases efficiency in drying, cooling, washing, screening and crushing of bulk materials. The emphasis within industry in recent years on automation has accelerated the growth of the company, sales rising from less than \$29 million in pre-war 1940 to nearly \$130 million by 1953. The Chicago company last year made capital expenditures of \$1,185,000, primarily for more productive equipment. This is part of a continuing program that has enabled Link Belt to market improved materials-handling gear, processing machinery and power transmission equipment. Recent contracts include a ship-loading facility on Lake Superior for handling taconite pellets, automated systems of conveyors for automobile assembly and electrical appliance manufacturing plants, coal preparation and fertilizer plants, and an inclined passenger belt conveyor in Houston, Tex. The indicated annual payout of \$3 provides a yield of more than 6%, but coverage is thin.

**Minneapolis-Honeywell Regulator Co.** should be a prime beneficiary of the swing to industrial automation. Record sales and earnings last year reflected a continuing trend toward greater use of automatic control equipment in industry, in aircraft, in heating and air-conditioning devices and other markets served by Honeywell. (Please turn to page 223)



## THE EDITORS' INVESTMENT CLINIC

Case No. 11

# The Feverish Bargain-Hunter

Any sudden and precipitous downturn in the stock market inevitably brings out the bargain-hunter. He follows up weakness in the marketplace as night follows day. Unfortunately, he is less likely to obtain what he set out to get than the fellow who purchases a motor car or an appliance at less than list price. The purchaser of a consumer durable knows precisely how much of a bargain he obtained. The seeker after bargains in equities, on the other hand, cannot know at the time of purchase whether he has even obtained a bargain.

A preoccupation of innumerable investors is honey-combing the list daily for stock that represent a bargain. The chore is most arduous when the market is on a lofty plateau. Comes a decline in the market and the bargain-hunter finds a whole new world opened to him. Opportunity has beckoned, *he thinks*.

It is, of course, a fact that considerable fortunes have been lost by such people, who have rushed in to buy as the market entered upon a period of protracted decline. Unhappily, there are no signs in the marketplace that warn "Beware All Ye Who Enter Here." The feverish bargain-hunter, who often knows the price of everything and the value of nothing, has lost sight of all the essential precautions that must be taken if the risk element is to be reduced.

Many untrained investors believe a stock is a bargain merely because it has become available at prices well under those that prevailed only a short time back. It probably has not even occurred to such people that there may be valid reasons why the stock of their choice, now at cut rates, has lost its appeal.

Let us regard a stock which has fallen from above 80 to near 50 in a period of six months. Bargain-hunting psychology immediately deduces that it is far cheaper around 50. But what is wrong with this thinking? Upon examination, we may find that the company has lost a sizable chunk of its market for a while, demand for its product has slumped, management lacks aggressive and, in general, myriad troubles exist where there was none before.

It may be that the company will regain its position—or it may not. But if the stock is purchased on

the premise that earnings and outlook will improve presently and find reflection swiftly in the market, the bargain-hunter may be in for sore disappointment. About the only satisfaction that can be guaranteed to such an operative is that he holds the stock at a far cheaper price than the fellows who paid 70 or 80.

A condition peculiar to the stock market is that an equity may be unattractive at 40 and a bargain at 80. To illustrate, the stock may be selling at 40 because of the very conditions outlined in the foregoing. Years later, the same stock may have behind it a vast new market for its products, engineering and research may have uncovered items in great demand, new management may have come to the fore, possessed of keen insight, aggressive and promotion-minded. Under such conditions, of course, new earnings power would have been generated and the stock, at 80, might well be a bargain.

The foregoing was not intended to discourage the penchant for bargain-hunting. It can be a lucrative practice, but it must be based on far more than a consideration of the going price of the shares. Indeed, the most successful investors are those who refuse to be stampeded by the mob psychology that often aggravates a break in the share list. It might even be said that bargain-hunting is one of the ingredients necessary to a good investment recipe. Such people are not slow to exploit market weakness for their own ends. But mere price was not even a secondary factor in their considerations. Their success may properly be ascribed to the ability to assay the outlook for a stock, its position within an industry, the amount of dynamism in the field of which it is a representative, the state of its finances, the consideration it gives to research and promotion, to cite but a few of the vital factors.

It might help to reduce the fever of the untrained bargain-hunter if he would first consider such an elementary principle as: "Why should anybody give me a bargain? Nobody gives something away for nothing."

—END

*We would welcome comments from our subscribers on investment subjects in which they are interested, and which they feel would add to the value of this Department.*

# FOR PROFIT AND INCOME



## Stock Groups

In recent days up to this writing the following stock groups have performed better than the general market: building materials, drugs, food brands, machinery, metal fabricating, office equipment, oils, steel, sugar and variety chains. The following are currently performing somewhat worse than the market: automobiles, chemicals, electrical equipment, dairy products, gold mining, radio-television stocks, and shipbuilding. However, few divergences are wide at present; and they can shift even from day to day in the market's current trading-range phase.

## Strong Stocks

Individual stocks showing exceptional strength at this writing include Freuhauf Trailer, General Cigar, Joy Manufacturing, Schering, American Home Products, Air Reduction, Textron, Curtiss Wright, Mohawk Carpet, Texas Pacific Coal & Oil, United Aircraft, Western Auto Supply, American Sugar, Freeport Sulphur, and Seiberling Rubber.

## Soft

But more stocks are soft than strong. Those currently performing worse than the market include Allis-Chalmers, Beech Nut, American Optical, Westinghouse Electric, General Baking, Lorillard, Twin Coach, Young Spring & Wire, Fedders-Quigan, General Instrument, Pacific Tin, Publicker Industries, Stanley Warner, Avco Mfg., Braniff Airways, Con-

tinental Motor, Curtis Publishing, Duplan, General Precision Equipment, Holland Furnace, National Theater, Schenley and Skelly Oil.

## Tax Selling

Many stocks, including some good ones but more inferior ones, are now at prices ranging from substantially to widely under their 1955, or earlier highs. They will be subject to tax selling between now and the year end, probably mostly in November and the forepart of December. However, in more instances than not funds so released will be immediately switched to other stocks. Therefore, the over-all effect on the market does not figure to be more than moderate. The tax-selling period is almost always followed by a seasonal year-end rise in stock prices, running at least into the forepart of January. Over the years, year-end swings have ranged from small, to medium to large. It is hard to see much of a year-end rise this year if it should start from a December

level not much different from the recent one, at which the industrial list had recovered nearly half of its sharp September 28-October 11 decline. It could be substantial if it starts from a reaction level nearer the October lows. You can save money on taxes and at the same time improve your investment position by taking losses on inferior stocks as an offset to realized capital gains. There are many angles to tax-adjustment selling—too many to discuss here. Best thing is to consult a tax specialist.

## Liquor

Probably because of whiskey's high prices, the greater part represented by taxes, people are not drinking as much of it as the distillers would like. Lower prices, but not so profitable, gin is more popular. The distillers are confronted by intense competition among themselves, and from imported alcoholic beverages. Earnings are far down from earlier levels in some cases. Here are

## INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Amer. Broad.-Para. Theatre .....	Quar. Sept. 30	\$ .43	\$ .31
Crucible Steel Co. ....	Quar. Sept. 30	1.68	.23
Lees (James) & Sons Co. ....	9 mos. Sept. 30	2.54	1.86
Pennsylvania R.R. ....	9 mos. Sept. 30	2.44	.90
Reynolds Metals .....	9 mos. Sept. 30	2.57	1.47
Stauffer Chemical Co. ....	Quar. Sept. 30	.99	.67
Del. & Hudson Co. & subs. ....	9 mos. Sept. 30	8.40	.61
United States Lines .....	9 mos. Sept. 30	3.52	2.00
Detroit Edison Co. ....	9 mos. Sept. 30	1.82	1.51
Ferro Corp. ....	9 mos. Sept. 30	2.89	2.05

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comparisons, for instance, of 1951 and latest-year per-share earnings: American Distilling \$5.22 down to \$3.12; Brown-Forman \$7.07 to \$2.70; Distiller Corp.-Seagrams \$4.93 to 4.09; Glenmore \$2.95 to 75 cents; Hiram Walker \$7.23 to \$7.02; National Distillers \$2.87 to \$1.38; Park & Tilford \$4.04 to a deficit of \$4.48; Publicker Industries 87 cents to 86 cents; Schenley \$5.10 to 87 cents. Even where the shrinkage is not great, as with Distillers, Hiram Walker and Publicker, it compares with a rise over the same period in earnings of a number of other industries. Indicating what distillers think of the whiskey outlook, a number of them—including Distillers Corp., Brown-Forman, National Distillers, Publicker and Schenley—have diversified or are diversifying activities outside of the liquor field. The stocks are not investments, and are not endowed with speculative attraction under present conditions.

#### Sunbeam

Contrary to an old maxim, the world will not beat a path to your door if you build a better mouse trap. But if you build a better mouse trap and merchandise it effectively, you will do all right. Sunbeam Corp. illustrates the point. Not too many years ago it made few items beyond animal hair clippers and lawn sprinklers. Now it makes a wide variety of trademarked, nationally advertised small electrical appliances, including Mixmaster, Coffeemaster, Shavemaster, automatic toasters, electric blankets, and Frypan. Comparatively new, the latter outsells all other electric frying pans; and illustrates why Sunbeam more than holds its own against the numerous large and small competitors—including such giants as General Electric and Westinghouse—in the highly competitive small appliance field.

The answer is extra-quality products, plus efficient merchandising. With an established reputation for quality attaching to its name, Sunbeam does not hesitate to break into fields already well occupied, if not crowded. Judging by past performance, its new ventures in the home power-tool and electric rotary lawn mower fields probably will be successful. From 1939 through the latest fiscal year, sales increased ten-fold, to \$90 million; net before taxes over seven-fold; net income about four-fold. Earnings might reach \$2.75 a share or more for the fiscal year ending March 31, against \$2.27 in the prior year. The \$1 dividend probably will be raised. Expansion is always financed out of earnings and depreciation. There is nothing ahead of the capital stock. The stock is not cheap on earnings or yield at 36; but a substantial premium is justified by the company's dynamic growth prospect. It is a good selection to buy on price recessions and then to hold on a long-pull basis.

#### ABC

American Broadcasting-Paramount Theatres, Inc., consists of the Paramount motion picture theater chain and the ABC television and radio broadcasting network. The Paramount division will account for nearly all of 1955 earnings approaching \$2 a share, against \$1.06 in 1954. However, the television network is now on a profitable basis and on the way up. It has some "hit" programs, including "Disneyland". Undoubtedly others will be coming along. In the case of Columbia Broadcasting and National Broadcasting, the choice evening time periods are pretty well booked up by sponsored shows. But ABC has, or can make, room for a rather large expansion in such evening programs. Hence, more TV advertisers seem bound to gravitate to it. On its toes, the management

is expected to venture some "spectaculars" next year. It should be only a matter of time, perhaps within two years, when ABC telecasting facilities, will be booked about as fully with sponsored evening programs as it rival channels 2 and 4 are now booked. Looking forward to that, earnings double to triple the present level can be envisioned. At 27½, in a 1955 range of 33½-22½, the stock is not cheap on a current basis, but it shapes up as an intelligent speculation to buy on moderate market dips for longer-range capital gain. Not to be overlooked are its diverse interests—theatres, radio, Disneyland and record-manufacture.

#### Wrigley

This biggest chewing gum maker may earn around \$6.15 a share this year, against 1954's \$5.80. The company is rich in cash, permitting pay-out of a high proportion of earnings both now and for many years back. Dividends have been continuous since 1913. The rate is 25 cents monthly. Extras of 50 cents each were paid last January and August, and a year-end extra of \$1 has been voted for payment December 1. This brings the 1955 total to \$5, against \$4 last year. On that basis, here is a highly conservative income stock yielding 5.3% at current price of 93, down from earlier 1955 high of 103½.

#### Growth

The railroad industry is not a growth industry, but there are some growth railroads in the South and West. As one of various examples of what a rail growth stock can do, Southern Railway rose from 1949 low 11½ to 1955 high of 99¾. Western Pacific could be a "big winner" on a longer-range basis. It is principally a bridge-line road operating in California, connecting with Great Northern at Bieber, Cal., and with Denver & Rio Grande Western at Salt Lake City. The further population growth in California over the next ten years is officially projected at 41.9%. The road's net this year may be \$7 a share or more (after funds) against 1954's \$4.20. Dividends are on a \$3 basis. The stock is at 59, down from earlier high of 73¾. Bought on reactions, it should be a quite profitable longer-term speculation. —END

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
Buffalo Forge Co. ....	Quar. Aug. 31	\$ .52	\$ .75
Cream of Wheat Corp. ....	Quar. Sept. 30	.26	.35
Elliott Co. ....	9 mos. Sept. 30	.81	2.43
General Baking Co. ....	39 weeks Sept. 24	.40	.44
Hoffman Electronics Corp. ....	9 mos. Sept. 30	1.29	1.60
Philip Morris, Inc. ....	9 mos. Sept. 30	2.60	2.78
Rohr Aircraft Corp. ....	Year July 31	3.63	3.90
Alpha Portland Cement ....	Quar. Sept. 30	.76	.89
Douglas Aircraft Co. ....	9 mos. Aug. 31	6.33	7.64
Granby Consol. Mng. S. & P. ....	Quar. Sept. 30	.16	.27

# The Business Analyst

## WHAT'S AHEAD FOR BUSINESS?

By E. K. A.

Opinions on the economic trend in 1956 are being offered wholesale and the variety is endless. Indeed, it almost seems as though there were no two alike. But if there is no general agreement on the business outlook, no one doubts that competition, already spirited, will become even keener next year.

Inevitably, sales campaigns will be given the spur and those essential tools of merchandising, advertising and promotion, will be worked harder than ever.

Not that American business has neglected such aids these many years, for under our system promotion is to selling what machine is to production. Expenditures for advertising rose in the post-war decade from less than \$3 billion to nearly \$9 billion this year. But even this staggering figure, an all-time record, promises to be surpassed in the severe competition of 1956. A large part of the constantly increased spending is due to higher advertising costs and to the astronomical costs of television sponsorship.

It is a rare company that plans to cut promotional spending next year. Companies, in fact, are stepping up such spending right now. Holiday advertising campaigns will be bigger than ever, which should occasion little surprise with business on a lofty plateau and banner Yuletide sales in prospect.

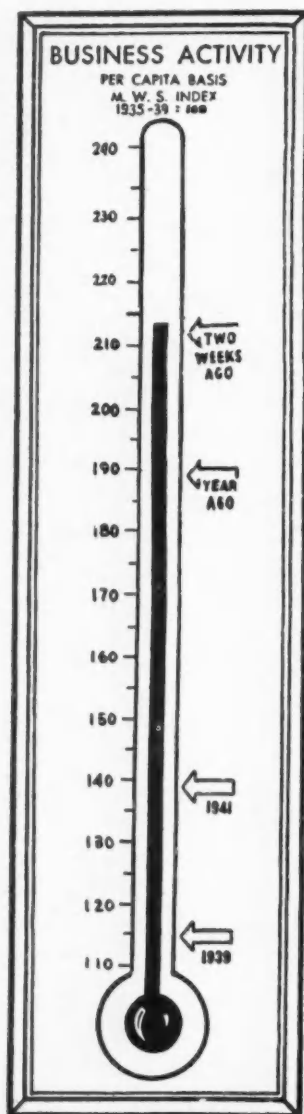
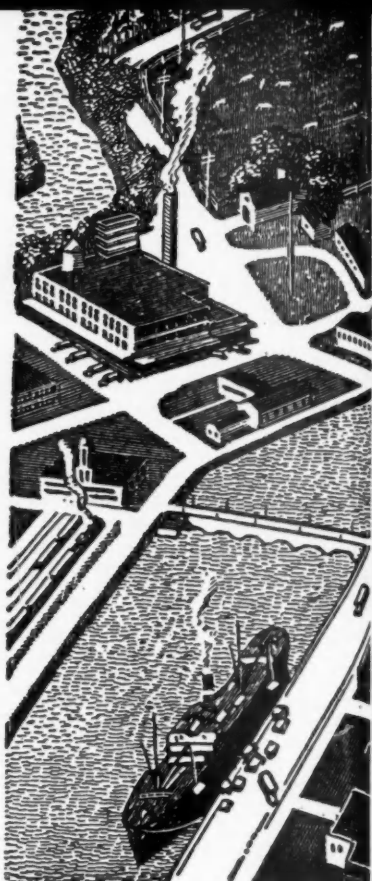
The need for advertising and promotional stimuli is especially acute for those companies, notably tobaccos, foods and tooth paste-soap producers, which have been introducing new products and new packages. This age of self-service and impulse buying has forced

many old-line companies to change their package, a decision not made lightly since advertisement costs growing out of such changeovers often run into seven figures. Research laboratories, it should be remembered, only spawn new products, but it takes tremendous sums and every type of advertising media to bring these to public attention.

Small companies, and even numerous medium-size entities, are at a decided disadvantage in meeting this kind of competition. Thus, a medium-size firm that once sold more instant coffee than the rest of the field combined was swiftly left in the lurch when a food-processing giant made its bid for leadership with a multi-million-dollar campaign that blanketed every media. Among the top 10 advertisers are the Big Three of the automotive industry and the Big Three of the tooth paste-soap field. In many industries, the small fellow's product is of as good quality as the big fellow's, but the difference is the giant's ability to "smother" markets with promotional campaigns. Many companies, large and small, have failed to use these tools for all they were worth at crucial periods of their development, forgetting that sales leadership never has been won by companies that dragged their feet on product exploitation.

Through many earnings reports these days runs the theme: "Extraordinary costs in connection with introduction of the new product" or the altered package reduced net profits for the period. Costly as these campaigns may be, responsible officials usually recognize that to forego use of these tools could well lead to loss of an entire market.

While it is true that even the most intensive exploitation will not keep an inferior product at the top, a lack of aggressive enterprise can hobble the growth of a good one. The most successful companies in this age are those which have left no stone unturned in their efforts to market merchandise, enlisting every factor, from the printed word to the support of stockholders. It no longer is true, if indeed it ever was, that the production of a better mouse trap will bring out vast crowds of consumers. Volume selling in this mass-production age demands that the producer go out and "collar" the customer.



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## The Business Analyst

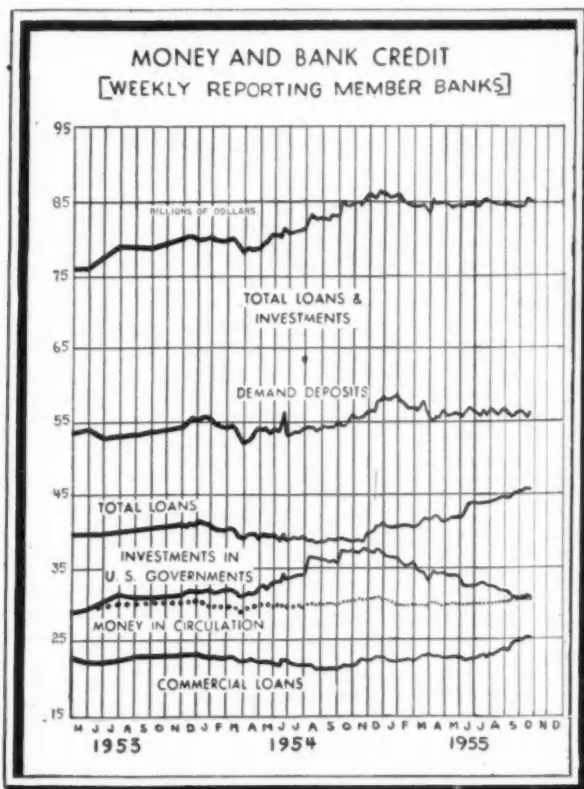
# HIGHLIGHTS

**MONEY & CREDIT**—Healthy investment interest continued to feature bond market dealings in October, despite the unrelieved tightness of short-term money. Borrowers have rushed to take advantage of the more congenial climate for long-term fixed-income securities and total bond flotations rose sharply last month to a grand total of \$1,549 million, from only \$786 million the previous month and \$1,342 million in the active October of last year. During the same period the depressed stock market had its inevitable effect on equity financing which fell by more than 50%. Only \$42 million worth of new stocks were sold last month against \$89 million in September.

The big gain in financing via fixed-income securities last month was in the tax-exempt field, with the \$415 million Illinois turnpike revenue flotation serving as the piece de resistance. This gigantic offering attracted nation-wide interest and an underwriting group of no less than 564 firms, who offered the bonds on October 25 to yield 3.75%, an attractive return for this type of obligation. Although attempts to hobble the financing via litigation are still going on, the bonds nevertheless attracted increasing investor support and went to a one point premium after initial hesitancy. \$122 million worth of federally-guaranteed Public Housing Authority bonds, which were brought out a day later, did not fare as well, with one-half sold by month-end. Of greater significance, however, than the fate of individual issues, has been the equanimity with which seasoned bonds have responded to these massive requisitions on available funds. Long-term Treasuries have added  $\frac{1}{2}$  to  $\frac{3}{4}$  point in the two weeks ending October 31, high grade corporate obligations have been steady to higher and most tax-exempts have continued to improve.

The more open-handed demand for bonds in recent weeks is based on the anticipation of economic changes that could make themselves felt in coming months. Of prime importance is the drop in new housing starts which may be reflected in a lesser demand for mortgage loans. Consumer borrowing may be slowed by higher borrowing charges and a saturation of demand for autos, and these developments, if realized, would take care of the two borrowing areas that have caused the most concern. If investors are reading the future correctly in this regard, then the monetary authorities would not have to do much more credit tightening and well-situated bonds could turn out to be a wise investment at current prices.

**TRADE**—Consumers are still buying freely, according to the latest estimates by Dun & Bradstreet which indicate that dollar volume of retail trade in late October was running 4% ahead of year-earlier levels. Sales promotions and cool weather encouraged buyers. Men's clothing and household furnishings were well ahead of last



year and food purchases showed a moderate increase. Sales of new autos were at a high level for this time of year and this helped to reduce dealers' backlogs of 1955 models.

**INDUSTRY**—Industrial output has risen a bit in the most recent week for which data is available. The MWS Index of Business Activity stood at 213.5 for the week ending October 22, up from 212.2 the previous week, but well under the year's high of 217.2, reached early in August. In the latest week, increased activity was noted for coal production, crude oil runs to stills, electric power output, carloadings and steel production.

The National Association of Purchasing Agents reports that October was a good month for manufacturers with new orders high and output steady. Prices of industrial raw materials have been more stable recently although increases were reported for many finished goods.

(Please turn to following page)

# Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre- Pearl Harbor*
<b>MILITARY EXPENDITURES—\$b (e)</b>	Aug.	3.3	2.8	3.3	1.6
Cumulative from mid-1940.....	Aug.	598.8	596.5	558.5	13.8
<b>FEDERAL GROSS DEBT—\$b</b>	Oct. 25	280.0	280.0	278.7	55.2
<b>MONEY SUPPLY—\$b</b>					
Demand Deposits—94 Centers.....	Oct. 19	56.3	55.6	55.8	26.1
Currency in Circulation.....	Oct. 26	30.5	30.6	30.0	10.7
<b>BANK DEBITS—(rb)**</b>					
New York City—\$b.....	Aug.	67.8	60.7	67.0	16.1
343 Other Centers—\$b.....	Aug.	112.8	104.9	97.1	29.0
<b>PERSONAL INCOME—\$b (cd2)</b>					
Salaries and Wages.....	Aug.	305.0	305.3	286.7	102
Proprietors' Incomes.....	Aug.	212	212	196	99
Interest and Dividends.....	Aug.	48	48	48	23
Transfer Payments.....	Aug.	27	26	25	10
<b>(INCOME FROM AGRICULTURE)</b>	Aug.	17	17	16	10
	Aug.	14	14	15	3
<b>POPULATION—m (e) (cb)</b>					
Non-Institutional, Age 14 & Over.....	Sept.	165.7	165.5	162.9	133.8
Civilian Labor Force.....	Sept.	117.6	117.5	116.4	101.8
Armed Forces.....	Sept.	66.9	67.7	65.2	55.6
unemployed.....	Sept.	3.0	3.0	3.3	1.6
Employed.....	Sept.	2.1	2.2	3.1	3.8
In Agriculture.....	Sept.	64.7	65.5	62.1	51.8
Non-Farm.....	Sept.	7.9	7.5	7.5	8.0
Weekly Hours.....	Sept.	56.9	58.0	54.6	43.2
	Sept.	42.5	42.6	38.0	42.0
<b>EMPLOYEES, Non-Farm—m (1b)</b>					
Government.....	Sept.	50.3	49.9	48.5	37.5
Trade.....	Sept.	6.9	6.7	6.7	4.8
Factory.....	Sept.	10.8	10.6	10.4	7.9
Weekly Hours.....	Sept.	13.4	13.3	12.6	11.7
Hourly Wage (\$). ..	Sept.	41.0	40.6	39.7	40.4
Weekly Wage (\$). ..	Sept.	1.90	1.88	1.81	77.3
	Sept.	77.90	76.33	71.86	21.33
<b>PRICES—Wholesale (1b2)</b>	Oct. 25	111.1	111.2	109.7	66.9
Retail (cd).....	Aug.	208.1	208.6	209.0	116.2
<b>COST OF LIVING (1b2)</b>					
Food.....	Sept.	114.9	114.5	114.7	65.9
Clothing.....	Sept.	111.6	111.2	112.4	65.9
Rent.....	Sept.	104.6	103.4	104.3	59.5
	Sept.	130.5	130.5	128.8	89.7
<b>RETAIL TRADE—\$b**</b>					
Retail Store Sales (cd).....	Aug.	15.7	15.5	14.2	4.7
Durable Goods.....	Aug.	5.8	5.6	4.8	1.1
Non-Durable Goods.....	Aug.	9.9	9.8	9.4	3.6
Dep't Store Sales (mrb).....	Aug.	0.90	0.94	0.84	0.34
Consumer Credit, End Mo. (rb).....	Aug.	33.6	32.9	28.7	9.0
<b>MANUFACTURERS'</b>					
New Orders—\$b (cd) Total**.....	Aug.	29.0	27.0	21.9	14.6
Durable Goods.....	Aug.	15.4	13.6	9.8	7.1
Non-Durable Goods.....	Aug.	13.6	13.5	12.2	7.5
Shipments—\$b (cd)—Totals**.....	Aug.	27.4	26.7	23.1	8.3
Durable Goods.....	Aug.	13.8	13.5	10.9	4.1
Non-Durable Goods.....	Aug.	13.5	13.2	12.2	4.2
<b>BUSINESS INVENTORIES, End Mo.**</b>					
Total—\$b (cd).....	July	79.2	78.8	77.6	28.6
Manufacturers'.....	July	43.9	43.8	43.4	16.4
Wholesalers'.....	July	11.9	11.8	11.8	4.1
Retailers'.....	July	23.4	23.2	22.4	8.1
Dept. Store Stocks (mrb).....	July	2.5	2.5	2.5	1.1
<b>BUSINESS ACTIVITY—1—pc</b>	Oct. 22	213.5	212.2	189.5	141.8
(M. W. S.)—1—np.....	Oct. 22	271.8	270.2	236.8	146.5

## PRESENT POSITION AND OUTLOOK

(Continued from page 209)

**COMMODITIES**—The Bureau of Labor Statistics' spot price index of 22 commodities continued to drop in the two weeks ending October 28, to register a loss of 1.4% for the period. Raw foods were weakest, giving up 3.7% while fats and oils were down 3.3%. Raw industrial commodities held unchanged but metals were 0.5% lower. Textiles and fibers bucked the trend, adding 0.5%.

**NET LIQUID SAVING** by individuals actually declined in the second quarter of this year, first downturn for this indicator since the hectic spending days of 1951. Main reason for the drop in net assets was a big rise in debts, with mortgage obligations shooting up another \$3.3 billion and consumer debt \$2.2 billion higher. Both increases were records for size. Individuals added only \$200 million to their currency and bank deposit holdings in the second quarter, versus a gain of \$1.4 billion a year ago. Some of the difference was accounted for by the change in income tax payment dates this year, which shifted a sizeable amount of such payments into the second quarter. In view of the record increase in consumer debts, businessmen are watching retail demand carefully for any signs of waning buying power.

New orders for **MACHINE TOOLS** dipped to \$61.3 million in September, from \$65.5 million in August, but were \$7.8 billion above the level of a year ago, according to compilations by the National Machine Tool Builders Association.

Machine tool officials indicate that the September dip in new orders has been reversed in October as the result of the buying interest aroused by the recent machine tool show.

Manufacturing companies chalked up a new high for **NET PROFITS** in the second quarter of 1955, the Securities and Exchange Commission has reported. Profits for the period came to \$3.9 billion versus \$2.9 billion a year ago. The return on stock-

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## and Trends

### PRESENT POSITION AND OUTLOOK

Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre- Pearl Harbor*
<b>INDUSTRIAL PROD.—la np (rb)</b>				
Sept.	141	140	124	93
Sept.	121	120	108	87
Sept.	160	158	137	88
Sept.	125	125	115	89
<b>CARLOADINGS—t—Total</b>				
Oct. 22	834	827	746	933
Oct. 22	418	409	370	379
Oct. 22	65	65	65	66
Oct. 22	58	58	56	43
<b>ELC. POWER Output (Kw.H.) m</b>				
Oct. 22	10,644	10,599	9,033	3,266
<b>SOFT COAL, Prod. (st) m</b>				
Oct. 22	9.8	9.8	9.0	10.8
Oct. 22	369.6	359.8	307.5	44.6
Aug.	71.0	68.0	68.6	61.8
<b>PETROLEUM—(bbls.) m</b>				
Oct. 21	6.8	6.7	6.2	4.1
Oct. 21	152	151	150	86
Oct. 21	47	47	56	94
Oct. 21	150	149	135	55
<b>LUMBER, Prod.—(bd. ft.) m</b>				
Oct. 22	240	265	270	632
July	8.5	8.7	9.1	7.9
<b>STEEL INGOT PROD. (st) m</b>				
Sept.	9.9	9.6	6.8	7.0
Sept.	85.8	75.9	64.2	74.7
<b>ENGINEERING CONSTRUCTION AWARDS—\$m (en)</b>				
Oct. 27	295	420	220	94
Oct. 27	15,660	15,364	11,824	5,692
<b>MISCELLANEOUS</b>				
Oct. 22	241	272	258	165
July	29	36	29	17
July	414	510	435	543
July	13	18	14	28

holders' equity, at annual rates, amounted to 13.0% in the latest period. This compares with 11.4% in the previous quarter.

In the first half of this year, total profits of manufacturing companies rose to \$7.2 billion, a 31% advance over the corresponding 1954 period. Best year-to-year percentage gain was made by the previously depressed textile industry, with a 246% improvement. Noteworthy profit increases from a year ago included steel and iron companies, up 72%, motor vehicles, 71% higher and chemicals up 33%.

The railroads cut their orders for **NEW FREIGHT CARS** drastically in September, to 3,228 units, from 13,405 the previous month. Apparently, heavy order placements were made in August partly in a move to beat possible price increases, and this left little September business. Deliveries of freight cars came to 3,118 in the latest month and the order backlog rose slightly, to 52,913 cars on October 1 from 52,803 at the beginning of September.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. adlb—Commerce Dept. (1935-9-100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. l—Seasonally adjusted index (1935-9-100). la—Seasonally adj. index (1947-9-100). lb—Labor Bureau. lb2—Labor Bureau (1947-9-100). lb3—Labor Bureau (1935-9-100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. \*—1941; November, or week ended December 6. \*\*—Seasonally adjusted.

### THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1955 Range High Low	1955 Oct. 21	1955 Oct. 28	(Nov. 14, 1936 Cl.—100)	High	Low	1955 Oct. 21	1955 Oct. 28
100 Combined Average .....	329.8 282.0	307.9	307.1	100 High Priced Stocks .....	220.1	180.6	204.5	203.9
100 Low Priced Stocks .....				100 Low Priced Stocks .....	392.5	343.5	365.9	364.8
4 Agricultural Implements .....	348.7 264.9	316.3	318.6	4 Gold Mining .....	806.0	649.1	656.2	656.2
3 Air Cond. ('53 Cl.—100)....	116.0 87.0	88.2	88.2	4 Investment Trusts .....	157.1	140.8	145.2	148.2
10 Aircraft ('27 Cl.—100).....	1084.9 871.7	1001.5	1010.8	3 Liquor ('27 Cl.—100) .....	1155.7	961.3	1004.5	1015.3
7 Airlines ('27 Cl.—100).....	1263.6 971.2	992.1	971.2	9 Machinery .....	395.8	317.7	321.0	324.2
4 Aluminum ('53 Cl.—100)....	388.1 191.1	332.9	327.0	3 Mail Order .....	217.9	159.3	206.5	206.5
7 Amusements .....	180.6 147.0	159.8	161.4	4 Meat Packing .....	134.4	112.8	118.8	117.6
9 Automobile Accessories ....	368.6 308.3	355.9	352.8	5 Metal Fabr. ('53 Cl.—100)..	187.0	155.9	172.2	168.9
6 Automobiles .....	55.8 44.3	52.1	52.6	10 Metals, Miscellaneous .....	452.3	358.2	398.0	387.1
4 Baking ('26 Cl.—100) .....	30.6 27.8	28.7	28.7	4 Paper .....	1057.8	767.1	952.9	952.9
3 Business Machines .....	930.6 657.4	764.4	757.8	22 Petroleum .....	680.3	590.0	644.1	650.2
6 Chemicals .....	584.5 466.6	545.2	545.2	22 Public Utilities .....	258.5	234.8	244.3	244.3
3 Coal Mining .....	20.3 14.8	18.4	18.3	7 Railroad Equipment .....	88.4	73.4	80.1	78.6
4 Communications .....	116.6 100.7	103.9	102.8	20 Railroads .....	77.9	64.7	71.3	70.6
9 Construction .....	127.3 106.4	114.1	115.2	3 Soft Drinks .....	565.7	459.9	510.5	515.1
7 Containers .....	747.7 675.1	711.4	711.4	11 Steel & Iron .....	320.9	219.2	296.1	293.8
7 Copper Mining .....	333.4 222.2	277.8	277.8	4 Sugar .....	68.8	56.1	64.2	64.2
2 Dairy Products .....	127.0 116.4	118.8	117.6	2 Sulphur .....	964.0	813.2	905.4	913.7
6 Department Stores .....	100.2 80.0	92.9	92.9	10 Television ('27 Cl.—100)....	47.3	40.7	41.9	41.1
5 Drugs-Eth. ('53 Cl.—100)....	151.2 129.6	141.8	147.2	5 Textiles .....	188.9	148.4	185.9	187.4
6 Elec. Eqp. ('53 Cl.—100)....	174.7 151.3	156.0	152.9	3 Tires & Rubber .....	172.6	137.8	156.6	158.1
2 Finance Companies .....	651.1 565.1	583.5	589.6	5 Tobacco .....	95.7	81.9	91.4	90.5
6 Food Brands .....	300.6 256.2	264.0	258.8	2 Variety Stores .....	315.0	286.9	293.2	293.2
3 Food Stores .....	163.7 137.7	149.2	149.2	15 Unclass'd ('49 Cl.—100)....	158.1	141.9	143.4	141.9

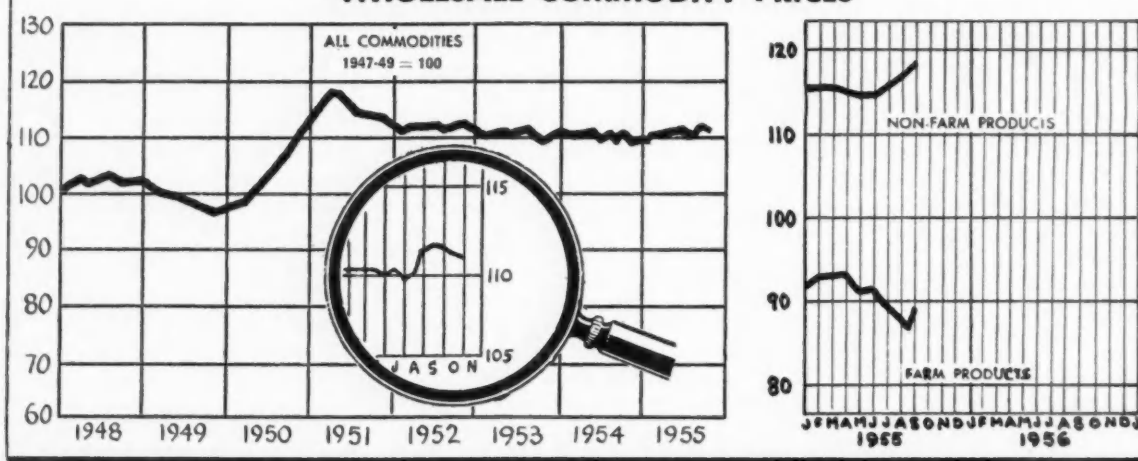
L—New Low for 1955.

## Trend of Commodities

Most domestic commodity futures showed improvement in the two weeks ending November 1 but such imports as cocoa, coffee and rubber all were lower. Weakness in this category was responsible for the decline in the Dow-Jones Commodity Futures Index, which lost 1.41 points during the period, to close at 151.29. December wheat added 3½ cents in the two weeks ending November 1, to close at 204¼. Firmness in cash wheat and political pressure in favor of aid to the farmer were factors in the upturn. Growing reports indicate that the winter wheat crop is still progressing satisfactorily, although there is some concern regarding sub-soil moisture reserves. Corn prices were higher in the two weeks under review and the December option gained 2¼ cents to close at 129¼. The Department of Agriculture's move to bolster corn prices by halting all

sales of its holdings during the harvesting season helped sentiment. In the same category was the Government's pork buying program which should help hog prices and thus induce heavier feeding. The Agriculture Department recently forecast that world corn production would hit a new record this year at 6.1 million bushels. The four-fold expansion since last year in the acreage devoted to corn in the Soviet Union came in for special mention, although no crop estimates were given for that country. The U. S. crop was forecast at 3.1 billion, up from 3.0 billion last year while total domestic supplies were expected to approximate 4.1 billion bushels. In the cotton market, nearby futures strengthened but distant options were weaker. Indications that foreign countries may become independent of American supplies in a few years were a depressing factor.

### WHOLESALE COMMODITY PRICES



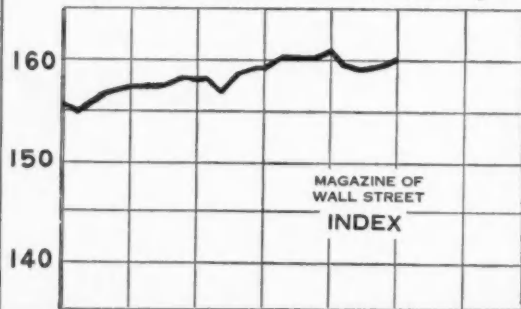
### U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES Spot Market Prices — 1947-1949, equals 100

	Date	2 Wks.	3 Mos.	1 Yr.	Dec. 6
	Oct. 28	Ago	Ago	Ago	1941
22 Commodity Index .....	88.6	89.9	90.4	90.3	53.0
9 Foodstuffs .....	77.0	79.8	81.6	92.5	46.5
3 Raw Industrial .....	97.4	97.4	96.8	88.7	58.3

	Date	2 Wks.	3 Mos.	1 Yr.	1941
	Oct. 28	Ago	Ago	Ago	Dec. 6
5 Metals .....	117.2	117.7	115.2	100.4	54.6
4 Textiles .....	79.3	78.7	82.9	85.5	56.3
4 Fats & Oils .....	64.2	66.4	64.3	70.0	55.6

### RAW MATERIALS SPOT INDEX

JUNE JULY AUG. SEPT. OCT. NOV. DEC.

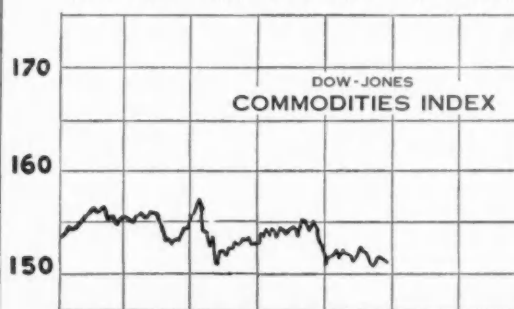


### 14 Raw Materials, 1923-25 Average equals 100

	Aug. 26, 1939—63.0	Dec. 6, 1941—85.0						
	1955	1954	1953	1951	1945	1941	1938	1937
High .....	160.5	154.4	162.2	215.4	111.7	88.9	57.7	86.6
Low .....	153.6	147.8	147.9	176.4	98.6	58.2	47.3	54.6

### COMMODITY FUTURES INDEX

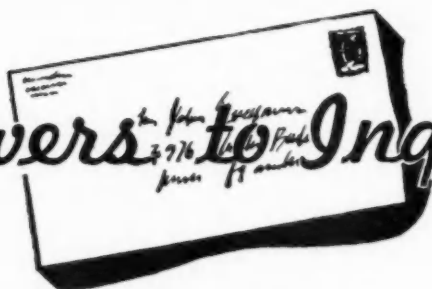
JUNE JULY AUG. SEPT. OCT. NOV. DEC.



### Average 1924-26 equals 100

	1955	1954	1953	1951	1945	1941	1938	1937
High .....	173.6	183.7	166.5	214.5	95.8	74.3	65.8	93.8
Low .....	150.8	167.3	163.8	174.8	83.6	58.7	57.5	64.7

# Answers to Inquiries



The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to three listed securities at reasonable intervals.
3. No inquiry will be answered which does not enclose stamped, self-addressed envelope.
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

## Square D Company

"I have recently subscribed to your magazine and find it very informative. Please furnish recent information on Square D Co., and also include new expansion projects."

R. F., New Rochelle, N. Y.

Sales and earnings for the 9 months ended September 30th were greater than any other comparable period in Square D Co.'s 52-year history. The company is a major manufacturer of electrical distribution and control equipment, including automation components. Sales of the company and its wholly owned subsidiaries for the 9 months were \$49,417,054, a 21% increase over the \$40,744,367 recorded in the same period last year. Net income amounted to \$4,442,889, equal to \$3.23 a share on 1,377,480 common shares outstanding. This represented a 41% increase over earnings at \$3,134,428, or \$2.28 a share, in corresponding months last year.

Sales for the third quarter were \$18,390,432, a figure higher than any other quarter in the past. New business is continuing at record levels, with orders running ahead of shipments and creating a growing backlog. In addition, employment has reached a new peak, and in one plant the Industrial Controller division facility in Milwaukee, 600 employees have been added since last May. A new plant in Cedar Rapids, Iowa, is nearing the half-way point in a program

to employ in excess of 400 workers by the end of the year. Ground has been broken for additions to the Milwaukee facility and to the Molded Insulation division plant, Peru, Ind. A plant is currently under construction at Royal Oak, Mich., to supplement manufacturing facilities of the Distribution Equipment Division in nearby Detroit and another new plant has recently begun operations at Seacaus, N. J.

Square D now has 9 U. S. plants, in addition to manufacturing units in Mexico City and Toronto. Square D Ltd., a new English subsidiary to market products in the British Isles and Europe, formally began operations in London, Nov. 1st.

Dividends of 50¢ quarterly have been paid thus far this year.

## American Enka Corp.

"I have been a subscriber for the last two years and do not often write for information in regard to securities. I would appreciate receiving recent earning information on American Enka Corp. and also what are its principal products?"

T. R., Lexington, Ky.

American Enka Corp.'s common stock was admitted to trading on the New York Stock Exchange recently and at the same time the company issued its report for the first 36 weeks of this year, showing an increase of 79% in earnings.

The company is one of the leading producers of rayon yarn for tires and textiles and has also

started to manufacture nylon.

The company had net income for the 36 weeks ended September 11, 1955 of \$5,188,193, or \$3.83 a share on 1,355,448 shares of common stock now outstanding, compared with \$2,901,134, or \$2.59 per share for the corresponding period ended September 12, 1954, based on 1,117,650 shares then outstanding. In computing the per share earnings for the 1955 period, the additional 237,798 shares issued in connection with the recent offering of subscription rights to stockholders were included.

Net sales for the first 36 weeks of 1955 were \$48,856,919, an increase of 28%, compared with \$38,074,500 for the first 36 weeks of 1954. Sales of tire yarn were 34% higher, and sales of textile yarn were up about 7%.

Construction of the company's \$21,000,000 rayon staple plant at Lowland, Tenn., is now under way and production is expected to begin late in 1956.

Dividends of 40¢ quarterly have been declared thus far in the current year.

## American Potash & Chemical Corp.

"Please report principal products made by American Potash & Chemical Corp. and also give latest earnings and dividends."

A. G., Lincoln, Nebr.

American Potash & Chemical Corp. produces a wide variety of chemicals sold in the U. S. and in many foreign countries. It is the second largest producer of boron chemicals in the world and the largest producer of salt cake in the U. S. Principal products are: Boron, borax, refined and crude pinta hydrate borax, boric acid and other similar chemicals.

Sales of American Potash & Chemical for the 9 months ended September 30, 1955 totaled \$20,354,720, an increase of \$2,399,727 over the \$17,954,993 reported for the same period in 1954.

Net income amounted to \$2, (Please turn to page 226)

## Appraising Outlook For 100 Active Stocks

(Continued from page 187)

dividend yield is still low at 4%, it compares favorably with yields of other chemical stocks. The issue has had a substantial, though not excessive, rise in the past year. Long-standing holdings need not be disturbed in view of the company's increasing benefits deriving from a well-executed expansion program.

**Allied Chemical & Dye:** Like many other chemical issues of its standing, this issue, despite a recent 20-point decline in sympathy with the general market, is selling at a rather high price x earnings ratio. The yield is also low, even for a good-grade chemical. For the time being, speculative impulse may be retarded but the longer-term prospects appear quite favorable. Accordingly, the stock may be retained.

**Amer. Cyanamid:** This stock relatively has given a good performance in 1955, in contrast to 1954. Earnings have increased sharply and the dividend margin widened. The stock is selling well below the average price x earnings ratio for the better grade chemicals and while the current yield is moderate, higher payments could be made by the company to raise the yield. The stock seems attractive for moderate purchases and long-term holdings should not be disturbed.

**Commercial Solvents:** In recent years, the company has had some difficulty in raising earnings substantially. This year, \$1.25 a share is estimated against \$1.01 a share the two previous years. It is believed that favorable developments may arise from the antibiotic division but patience will be required by stockholders. The stock may continue to be held on a speculative basis.

**Dow Chemical:** Low per share earnings are a characteristic feature of this important company's financial statements. However, actual cash earnings, as distinct from reported earnings, are considerably higher, the difference being due to very high deprecia-

tion and rapid amortization charges which in fiscal 1955 alone were equal to double stated earnings. The yield is insignificant. With the highest price x earnings of any important chemical stock—or 33.2 times at recent prices—the stock seems to have discounted its obvious growth potentials for the time being. However, present investment holdings should not be disturbed, considering growth potentials.

**Du Pont:** With nearly 30% represented by General Motors holdings, earnings are necessarily affected by return from this investment. As a chemical concern, the company is in an outstanding position but the stock has quite well discounted more immediate prospects. For speculative accounts, enough acceptance of profits might be warranted in order to mark down original costs. For long-term investment portfolios, the issue should be retained, being mindful that the stock can have wide swings.

**Hercules Powder:** The name of the company has become somewhat of a misnomer as it is increasingly engaged in production of various type chemicals, supplementing the original powder business. On a price x earnings ratio basis, the stock is selling on about a par with other representative chemicals. The yield, however, is low and, in view of the considerable rise in price, partial acceptance of profits on stock purchased at substantially lower levels, could be advisable. For long-term holdings, the suggestion is to hold, provided the investor is not concerned with the possibility of wide fluctuations in the price.

**Monsanto Chemical:** After the 3-for-1 split, the stock has settled down to the mid-forties. This is one of the better holdings among chemicals and may be retained for long-term investment purposes. Investors interested mainly in speculative profits might consider drawing down part of the funds to mark down costs.

**Olin Mathieson:** The consolidation period of the merger between Mathieson Chemical and Olin Industries should not be far from completion. As one of the largest entities in the chemical field, growth prospects seem unusually

favorable. The price x earnings ratio of 15.4 is moderate and while the yield is somewhat under the liberal side—though not lower than the average chemical—purchases on a sliding scale would seem to be warranted. Present holdings should not be disturbed.

**Spencer Chemical:** This is one of the more rapidly growing concerns in the petrochemical field, with especial emphasis on development of polyethylene products which appear to possess substantial growth potentials. The issue may be retained on a long-term basis.

**Union Carbide & Carbon:** A high premium is characteristically placed on this superior chemical stock, as a result of its marked growth in plastics, miscellaneous chemicals and in metallurgical processes. It is also a factor of potentially great importance in the nuclear energy field. It sells at a somewhat higher price x earnings basis than most other chemicals, with a correspondingly low yield. Owing to present elevated levels, new purchases might be deferred until a more favorable market opportunity is presented, but present holdings should be maintained.

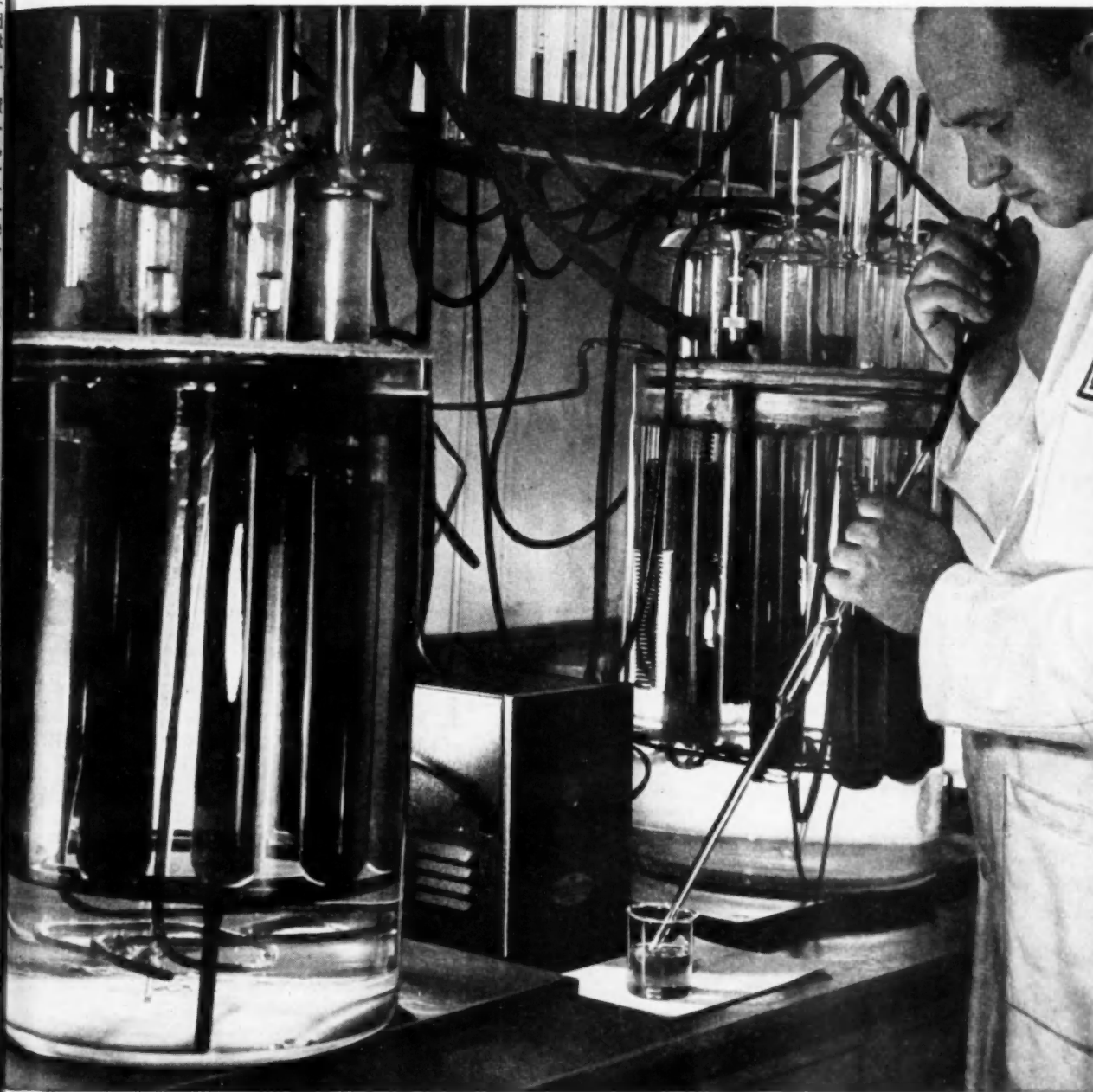
## ELECTRICAL EQUIPMENT

**Allis - Chalmers:** The stock has been in a negative market trend for some months on expectation of moderately lower earnings though on a larger common stock capitalization. The protracted strike and unfavorable farm situation have contributed to lower market prices for issue. Basic position, however, is sound and prominent position in nuclear energy field gives more promising cast to long-term outlook. Stock should be held, and new purchase on a sliding scale to take advantage of any further technical weakness could be warranted.

**Cutler-Hammer:** As a speciality producer of electric motor controls, the company is in a strong position to benefit from the cyclical expansion in industry. Earnings rather variable. While long-term outlook is above-average, present advanced price of shares invites consideration of some profit-taking to mark down costs.

(Please turn to page 216)

# GOING PLACES *into a drop of oil with Cities Service...*



Cities Service researchers enter the minute world of the molecule and come out with new and better products . . . for example, 5-D Premium gasolene and 5-D Koolmotor oil. The superior performance of these new products has boosted sales of Cities Service gasolenes at double the rate of industry demand.

**CITIES  SERVICE**

*A Growth Company*

## Appraising Outlook For 100 Active Stocks

(Continued from page 214)

Price x earnings ratio about in line with other representative electricals, but comparatively low yield is a deterrent to average investor.

**Fairbanks Morse:** Secondary issue of speculative rank. Unimpressive record. Seems fully priced on a price x earnings basis as compared with other issues of its class.

**General Electric:** Premier issue in electrical group. Its characteristically high price x earnings ratio at advanced stages of a bull market a general reflection of its prestige. The low yield would be considered a deterrent for ordinary investment purposes but stock's obvious growth potentials make this a desirable holding for portfolios slanted toward long-term capital gains possibilities.

**McGraw Electric:** This company has become an important factor in heavy electrical equipment field, especially for public utilities, as well as retaining important position in consumers' electrical goods. Stock has lost a good part of its 1955 gain and is now more fairly priced, but new purchases might await evidence of a turn for the better in the demand for transformers. The yield is about average for the group. Long-term holdings need not be disturbed.

**Minneapolis-Honeywell Regulator:** One of the outstanding growth companies in the electrical equipment field. Leader in controls of various kinds and a growingly important factor in nuclear energy equipment. Sells normally at high price x earnings ratio, with a correspondingly low yield. With long-term investment objectives in mind, may be purchased on "dollar-averaging" basis. Holdings should be maintained.

**Sunbeam Corp.:** Stock finding new level after 50% stock dividend. Though company is in undoubtedly strong position in consumers' electrical goods, nearer-term potentials seem rather fully reflected in price of shares.

Current price x earnings ratio is substantially above average for group and yield rather low for ordinary investment purposes. This good-grade electrical, however, may continue to be held for long-term investment objectives.

**Sylvania Electric:** Dynamic management in a rather volatile field, substantially related to effervescent TV industry. On the basis of new developments, present price does not appear excessive and stock may be retained for long-term speculative gains. Selling at reasonable price x earnings ratio with yield about average at this stage of the market in general.

**Westinghouse Electric:** Exceedingly disappointing market action of this leading electrical stock due to severe competition in heavy electrical apparatus and labor difficulties, resulting in sharp earnings decline. While near-term situation is complicated, longer-term outlook more promising, especially in view of company's leading position in nuclear energy field. Present holdings need not be disturbed and new commitments on a "dollar-averaging" basis seem warranted at present comparatively low levels.

## PAPER

**Container Corp. of America:** Aggressive management has placed this company in a strong trade position. Although part of extensive 1954-55 market gain has been sheared off in recent general market setback, stock still seems somewhat over-priced. New purchases should be deferred until more advantageous prices are available but in view of sound condition of company and its favorable long-term prospects, present holdings need not be disturbed.

**Crown Zellerbach:** Markedly rapid growth of company parallels rapid growth of West Coast where it is the dominant concern in its field. Broadly diversified paper line. Seems somewhat over-priced temporarily with a price x earnings ratio considerably in excess of that for the group—14.8. The yield, while low, is about in line with that of other good paper stocks. New purchases might be deferred pending more advantageous market levels but pres-

ent long-term holdings should not be disturbed.

**Great Northern Paper:** One of the best in the paper group, this is the largest domestic newsprint producer. In view of the exceptional long-term position of newsprint, its recent increase of capacity should enhance earnings in coming years. Has had good rise, however, and new purchases might be deferred. Long-term investment holdings should not be disturbed, but if held in speculative accounts, consideration might be given to moderate profit-taking to mark down original costs.

**Int'l Paper:** Strongest of paper group in view of being largest concern in the field, with especially marked long-term growth prospects. Though moderately off from 1955 high, is selling in upper ranges after years-long advance. Present price x earnings ratio about in line with other good paper stocks, but yield is below average for the group. This, however, could be raised in view of wide dividend coverage. Long-term holdings need not be disturbed but new purchases might be deferred until more advantageous market levels are available.

**Kimberley-Clark:** Leader in specialty paper field related to tissues, etc., of which there is a steadily broadening demand with population growth. Above average investment rating accorded normally places this among paper stocks with high price x earnings ratio. Current yield rather low for ordinary investment purposes. Stock now more fairly priced after recent decline. Stock may be retained for long-term investment.

**Rayonier:** This stock (split 2-for-1) has now receded from the 1955 peak levels of about 40 to the current lower thirties. At this price, it is selling at a more attractive price x earnings ratio, in relation to other stocks in the group. Its strong position in chemical cellulose, which is basic to the manufacture of rayon and cellophane, enhances growth prospects. The dividend is conservative in relation to earnings. Long-term holdings should not be disturbed and new purchases, on a sliding scale

(Please turn to page 218)

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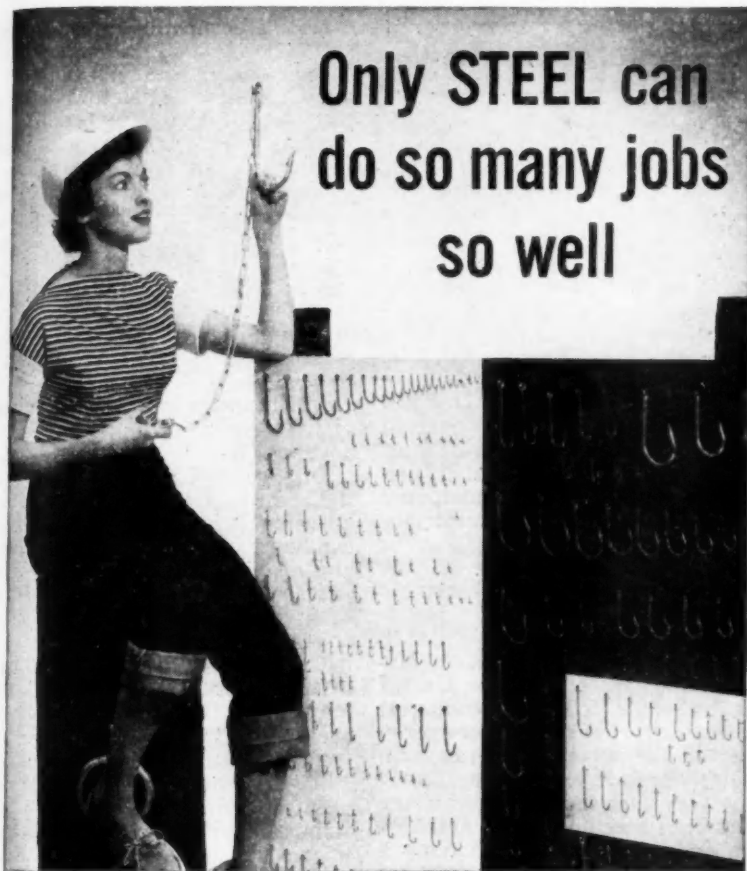
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TREET



Only STEEL can  
do so many jobs  
so well

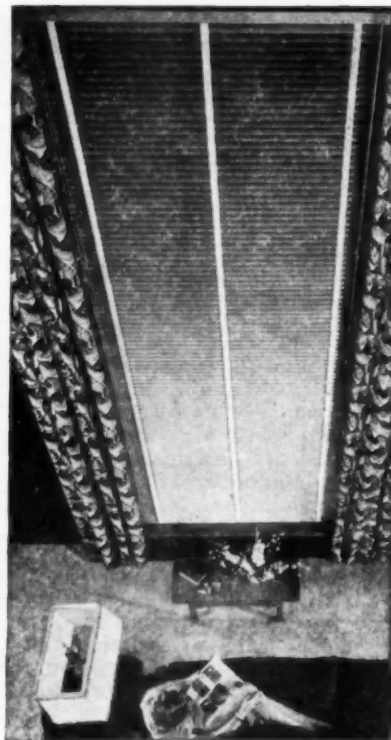
**It's No Fish Story.** More than 1000 pounds of steel are used every day, just to make fish hooks. Those giant hooks in the picture are used to catch tuna, marlin or albacore. About 3000 of the small No. 6 trout hooks can be made from a single pound of steel.



**Bridge-Builders Paradise** is the recently completed West Virginia Turnpike. Its 88-mile length required 76 bridges, built from 23,500 tons of steel. The Bender Bridge, here, is 278 feet high, one of the tallest bridges east of the Mississippi. U. S. Steel supplied the steel and built this bridge.



This trade-mark is your guide to quality steel



**Like Flicking A Light Switch.** Want finger-tip control of light and air in your home or office? You get this with venetian blinds made of steel. And steel venetian blinds are made in just about any size you will ever need—like the whopper shown here. In addition to their trim beauty, steel slats give privacy and protect rugs, draperies and furniture from sun damage. Steel slats are flexible and tough, easy to clean, and they will not crack or warp.



**The Bow-Legged Truck.** This unusual machine is called a straddle truck, because it literally stands over a load (up to 25 tons), hoists it, then rolls away. The truck can actually roll over a full-size automobile without touching it. It uses many USS steel plates and bars.

# UNITED STATES STEEL

For further information on any product mentioned in this advertisement, write United States Steel, 525 William Penn Place, Pittsburgh, Pa.

AMERICAN BRIDGE . . AMERICAN STEEL & WIRE and CYCLONE FENCE . . COLUMBIA-GENEVA STEEL . . CONSOLIDATED WESTERN STEEL . . GERRARD STEEL STRAPPING . . NATIONAL TUBE  
OIL WELL SUPPLY . . TENNESSEE COAL & IRON . . UNITED STATES STEEL PRODUCTS . . UNITED STATES STEEL SUPPLY . . Divisions of UNITED STATES STEEL CORPORATION, PITTSBURGH  
UNITED STATES STEEL HOMES, INC. • UNION SUPPLY COMPANY • UNITED STATES STEEL EXPORT COMPANY • UNIVERSAL ATLAS CEMENT COMPANY

S-1003

See The United States Steel Hour. It's a full-hour TV program presented every other week by United States Steel. Consult your local newspaper for time and station.

## Appraising Outlook For 100 Active Stocks

(Continued from page 216)

seem warranted for speculative accounts.

**St. Regis Paper:** This company is discussed under "Inquiries" elsewhere in this issue.

**Scott Paper:** Continuation of marked growth is anticipated. This is aided by new acquisitions, broadening base of company's tissue products. Rapid population growth an important factor. Stock characteristically sells at very high price x earnings ratio, the highest of the group and the yield is proportionately low. This is a stock suited for long-term portfolio holdings. Now selling at more moderate prices than at 1955 peak of 78 but new purchases should be limited to "dollar-averaging" method.

**Union Bag & Paper:** This stock has had a very large speculative advance in the past year, based on large increase in earnings. Stock split possibilities seem indicated but new purchases should be deferred on account of present elevated price of shares. Original cost can be marked down through partial acceptance of profits.

**West Va. Pulp & Paper:** One of the most successful paper companies. Long-term holdings should be maintained, as warranted on growth potentials. New purchases might be deferred until more favorable price level. —END.

### PART 2

of

"Appraising Outlook for  
100 Active Stocks"

—  
To Appear in  
November 26th Issue

## New World Power Line-Up

(Continued from page 193)

The entire problem of foreign aid and trade also will raise the old question of whether our allies "appreciate" what we are doing. A trip through nine European countries last year convinced the writer that although there is profound gratitude from the man-in-the-street for American aid, he does not always appreciate (in the sense of comprehending) the part such aid plays in the American foreign-policy scheme, which, as noted earlier, is motivated primarily by self-interest and only coincidentally by humanitarianism.

This factor, of course, cannot be counted on to explain away his immediate resentment on learning that American aid is to taper off. Europeans always have disliked the notion that the United States could tell their countries how to run their business by virtue of the amount of American aid given to them. But because of the very fact that such aid never has been accepted in the spirit of an inducement but rather as a gift, economy-minded legislators have argued, a gradual end to aid would not hurt our allied relations. Opponents have scoffed at this reasoning, and have claimed that an abrupt halt in economic aid is like cutting off a small boy's allowance. After committing the deed, they say, it does no good to tell him how generous you were to give it to him in the first place.

### The Need To "Sell" Our Foreign Policy Abroad

Paralleling talk of a curtailment in financial and technical aid for Europe has been a growing acceptance among all factions of Congress of the need for us to "sell" our foreign policy abroad. In the face of the Soviet Union's own high-powered propaganda system, our own information efforts, though on the increase, have been hamstrung in the past partly by fund limitations and partly by lack of moral support from home. But a change is in sight. Members of Congress returning from Europe this fall have lauded our information efforts and have seen in them a way to get "more for our money."

As the economics of European nations progress to a point where American dollar aid can taper off, some of these legislators say, a speed-up of our efforts on the "selling" end—in the realm of gaining support for our foreign-policy objectives on their own merits irrespective of economic aid—could enable us to retain our friends and make great dollar savings as well. The cost of a greatly enlarged overseas information program, they claim, would be nowhere near as great as our current dollar aid expense.

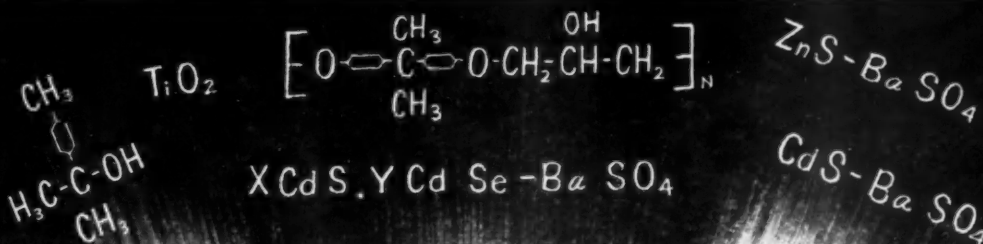
In Europe, where there are obvious physical evidences of the advances of our foreign-aid program, we at least have reached the point where a question of substituting information for dollars can be raised. In the Far East, we are at no such crossroads. The vastness of the job to be done, both economically and politically, offers us little choice once we make the basic decision to do our utmost to stop the spread of Communism in that newly awakened area.

The Mutual Security Act of 1955 for the first time put its greatest economic emphasis on Asian aid, and it is likely that emphasis will be increased. In Europe, perhaps, there can be a greater stress on "selling" our foreign policy with words, but in the Far East it appears we can spare nothing—dollars, technicians or words—if we are to hold the line there.

The surge of nationalism in Asia, with its suspicion of anything smacking of colonialism, makes it vital that we not try to "buy" allies. Even more important than in Europe, our information program must be a full partner to our dollar aid program, for we are in danger of being entangled in traditional racial suspicions not of our own making but often associated with us as part of the "Western world."

Hence, our hesitancy to buck Great Britain, and more particularly France, on matters of colonial policy in Asia offers the danger of many fence-sitting Asians labeling our aid programs as a new form of Western colonialism and nothing else. Amid this atmosphere, Communism could be expected to make great political hay. Sen. H. Alexander Smith of New Jersey, No. 2 Republican on the Foreign Relations Committee.

(Please turn to page 220)



GROWING WITH THE HORIZONS OF CHEMISTRY

# GLIDDEN

## 1955—another year of growth, increased sales and earnings

The 38th Annual Report of The Glidden Company marks another milestone of progress. New Glidden products and developments, equipment, and facilities expansion, aggressive merchandising and widened distribution, all confirm the company's confidence in the future.

### from the President's letter...

#### Profit and Sales

...although fiscal 1955 covers only a 10-month period because of the change in fiscal year end, profits for this short year were greater than those of the 12 months of fiscal 1954. Sales for 1955 were \$180,524,822, a 5.2% increase over the same period in 1954. ...net profit margin on sales increased to 3.9% compared to 3.4% in 1953 and 1954. This increase was accomplished by the elimination of low-profit operations, concentration on higher profit margin items, improved volume and increased efficiency of producing units. ...net profit after taxes and all charges for 1955 was \$7,112,567, compared to \$7,093,043 in fiscal 1954. This amounts to \$3.10 per share against \$3.09 in 1954. Management estimates that earnings would have been \$3.65 per share had fiscal 1955 contained the usual 12 months.

#### Divisional Activities

...new 6-million-dollar grain elevator on Chicago's Calumet River, now nearing completion, will add flexibility to processing and grain merchandising operations of the Chemurgy Division.

...metal powder production capacity at Hammond, Ind. increased to satisfy growing industry needs for present and new products, with further expansion planned this year. ...significant sales gains registered by Paint Division. Recent figures show rate of sales gain continues above that of the entire paint industry. Production facilities were increased at four plant locations. ...ten new paint warehouse branches opened during the year, increasing the total number in operation to 53, with seven more scheduled for early opening. Permitting fast, efficient service to dealers and customers, there will be 100 such units operating by 1959. ...former Naval Stores Division renamed Southern Chemical Division, which more accurately describes the chemical upgrading of the prime naval stores—rosin, turpentine and pine tar. Production capacity of terpene-based products will be increased 20% during the coming year. ...Durkee consumer sales organization reorganized to provide greater sales and lower distribution costs. ...increased industrial activity in 1955 greatly stimulated industrial finish sales for appliances, furniture, metal can coatings and the sale of polyester resins to the plastics industry.

...productive capacity for soya isolated protein increased 67% to supply paper, paint and other industries. New edible protein, now under test by food processors, shows promising potential. ...construction of the first of three units of Baltimore titanium dioxide plant on schedule, with production expected in spring of 1956. One of two other similar units, included in original plan, now considered for early construction to meet constantly growing demand for titanium pigments. ...a new wholly-owned subsidiary, Glidden International, C.A., has been incorporated in Venezuela to handle licensing, distribution and production of all Glidden products in countries other than the United States and Canada. ...increased capacity and production efficiencies characterized the operation of the Louisville, Elston Avenue, Chicago and Berkeley refineries. All four Durkee vegetable oil refineries operated at full or near capacity during the year, indicating success of current product development and merchandising programs. ...research budget increase to be concentrated on intensified product improvements, new developments and cost reductions to strengthen the company's competitive position and upgrade its basic materials. New products in the development stage show good promise for the future.

### CONDENSED CONSOLIDATED BALANCE SHEET

Assets		Liabilities	
Current Assets	\$ 65,405,090	Current Liabilities	\$ 18,249,107
Other Assets	1,363,555	Long-Term Debt	9,000,000
Property, Plant and Equipment	39,993,479	Capital Stock and Surplus	32,744,772
Total Assets	\$106,762,124	Earned Surplus	46,768,245
		Total Liabilities	\$106,762,124

### CONDENSED CONSOLIDATED INCOME STATEMENT

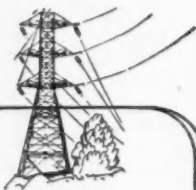
Net Sales	\$180,524,822
Income Before Taxes on Income	14,324,567
Taxes on Income—Estimated	7,212,000
Consolidated Net Income	7,112,567

A copy of the Company's Annual Report will be sent on request

**THE GLIDDEN COMPANY • Cleveland 14, Ohio**

CHEMICALS—PIGMENTS—METALS DIVISION • SOUTHERN CHEMICAL DIVISION • CHEMURGY DIVISION  
PAINTS AND VARNISHES DIVISION • DURKEE FAMOUS FOODS DIVISION





## Southern California Edison Company

### DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

CUMULATIVE PREFERRED STOCK,  
4.08% SERIES  
Dividend No. 23  
25½ cents per share.

CUMULATIVE PREFERRED STOCK,  
4.08% SERIES  
Dividend No. 32  
30½ cents per share.

The above dividends are payable November 30, 1955, to stockholders of record November 5. Checks will be mailed from the Company's office in Los Angeles, November 30.

P. C. HALE, Treasurer

October 21, 1955



## New World Power Line-Up

(Continued from page 218)

took notice of this danger in the debate on the Mutual Security Act in June. Speaking of Communist readiness to move into Asia's underdeveloped areas, he said:

"In meeting this challenge, our military aid is important. But it is by definition negative. The economic and ideological aspects of this program are the positive means at our disposal. In the end this great struggle is one of economics and ideas. We must assist these young democracies in their fervent aspirations for greater freedom and for a better life, and in their efforts to become equal in every way with the other countries of the world, not to be looked down on, not to be exploited by anyone. Unless we do this, we will lose the struggle in the Far East, and will be in great jeopardy everywhere else in the world."

### Madness In the Middle East

Nowhere, however, has our foreign policy floundered so badly as in the Middle East, with the result that the centuries-old goal of Russia—control of the Turkish straits and domination of the Moslem world—has been advanced appreciably. Our northern tier of alliances in that part of the world, stretching from Turkey eastward to Pakistan, now is in

imminent danger of being outflanked as the faithful Bolshevik descendants of the Czarist expansionists ensnare Egypt and lesser Arab states. We are paying now, and we shall pay even more heavily in the months ahead, for the lack of will and wisdom to deal with Israeli-Arab tensions. Where once, with the backing of Britain, France and Turkey, we might have hammered out a durable peace for Israel and her neighbors, the initiative now has passed from us.

Shrewdly, the Soviet bloc, with a cut-rate sale of surplus arms, has bought for itself a considerable voice in Mideast affairs. She may be counted upon to use her influence to depose the West from the waterways of Suez and the Dardanelles, the far-flung military installations built with United States funds and the immensely rich oilfields. Into the vacuum created by Western indecision has come rapacious Russia, which is swiftly exploiting local tensions.

We now have no choice but to support firmly the State of Israel, the only democratic nation in that part of the world. To let her down, would give to Russia (not the Arabs, who are as children playing with fire) the greatest victory to date. For, aside from giving her a master role at this crossroads of the world, it would serve eloquent notice on the entire world that victory belongs to those who take their stand with the Communist monolith.

Thus, after ten years of buoying up the free world community with American dollars, know-how and ideas, the outlook for the in-tramural aspect of our foreign policy can at best be this: continued stress on military power as a backdrop to all other phases of activity; contemplation, perhaps, of some cutback in financial aid to Europe, but only with a consequent increase in trade assistance and in the flow of information; costly endeavors on all fronts in the Far East and Middle East.

To judge by the monumental tasks and expenditures still ahead that no great progress has been made in bolstering the free world against global communism would be to underestimate the scope of the challenge in the first place. In spite of a jumble of contradictory foreign-policy attitudes among the allied nations, a considerable common ground has been established.

## Common and Preferred Dividend Notice

October 26, 1955

The Board of Directors of the Company has declared the following quarterly dividends, all payable on December 1, 1955, to stockholders of record at close of business November 4, 1955:

Security	Amount per Share
Preferred Stock, 5.50% First Preferred Series	\$1.37½
Preferred Stock, 5.00% Series	\$1.25
Preferred Stock, 4.75% Convertible Series	\$1.18¾
Preferred Stock, 4.50% Convertible Series	\$1.12½
Common Stock	\$0.35

*W. H. Jones*  
Secretary

**TEXAS EASTERN**  *Transmission Corporation*  
SHREVEPORT, LOUISIANA

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A good deal of economic and political pressure by the United States has gone into consolidating that common ground, to be sure. But now, as the world struggle appears to be progressing into a second stage of diplomacy, where finesse and cunning may replace the mailed fist, the job of American foreign policy is clear; it must make certain the allied partnership is as invulnerable to "soft" diplomacy as it has proved to be to the "hard" approach. The task calls for a greater emphasis on moral determination to resist as well as the physical ability to do so. In many ways, the toughest phase still lies ahead. —END

### What 3rd Quarter Earnings Reveal

(Continued from page 196)

amounted to 6.3 cents, same as last year. Sales for 9 months totaled \$2,245,958,000, a rise of 4% from 1954's \$2,167,397,000. Sales for the nine months were second only to the record sales of the like 1953 period. They were achieved, incidentally, in spite of a substantial decline in defense business. Sales of commercial products were higher during the first nine months of this year than for any similar period in company's history. Sales of consumer products and industrial lines continued substantially ahead of 1954, while the heavy-apparatus business was slightly behind the nine-month total of 1954. However, a pickup in heavy-apparatus business has picked up and should roughly equal the year-ago showing over the full 12 months. Moreover, orders for large apparatus are continuing to run substantially ahead of 1953 and 1954, promising a good level of production and shipments throughout next year and 1957. Like all makers of home appliances, however, the company is in need of a higher price structure to overcome the "squeeze" arising out of spiraling costs.

ST. REGIS PAPER CO., helped by sales contributed by newly-acquired subsidiaries, had a banner third quarter, bringing sales and net profit for the first nine months to new peak levels. For the nine months sales amounted to

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NEW ISSUE

November 2, 1955

1,110,307 Shares

## Commonwealth Edison Company

### Common Stock

(Par Value \$25 per Share)

Holders of the Company's outstanding Common Stock are being offered the right to subscribe at \$37.50 per share for the above shares at the rate of one share for each fifteen shares of Common Stock held of record on November 1, 1955. Subscription Warrants will expire at 2:30 P.M. Central Standard Time, on November 16, 1955.

The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, both during and following the subscription period, may offer shares of Common Stock as set forth in the Prospectus.

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

#### The First Boston Corporation

Kuhn, Loeb & Co.

A. G. Becker & Co.  
Incorporated

Blyth & Co., Inc.

#### Glore, Forgan & Co.

Central Republic Company  
Incorporated

Eastman, Dillon & Co.

Goldman, Sachs & Co.

Harriman Ripley & Co.  
Incorporated

Hornblower & Weeks

Kidder, Peabody & Co.

Lehman Brothers

Merrill Lynch, Pierce, Fenner & Beane

Smith, Barney & Co.

Stone & Webster Securities Corporation

Union Securities Corporation

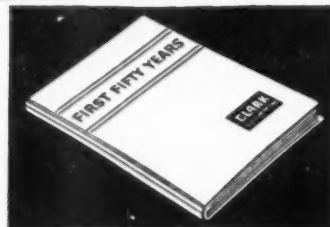
White, Weld & Co.

Dean Witter & Co.

A. C. Allyn and Company  
Incorporated

\$179,613,000, against \$149,431,000 a year earlier. Net climbed to \$13,175,000, or \$2.15 a share on the 5,932,478 shares outstanding, compared with \$11,457,000, equal to \$2.01 on the 5,467,428 shares out at September 30, 1954. The nine-month earnings of 1955 include only six months' operations of Michigan Panelyte Molded Plastics and four months' operation of Pollock Paper. If the earnings of these two new subsidiaries had been included for the full nine months of 1955 the consolidated earnings of St. Regis would have been \$2.24 a share. This third largest of the paper producers acquired in September through an exchange of stock of all of the common shares of General Container Corp. Sales of this new subsidiary will be consolidated for the final quarter. The other acquisitions, already consolidated, contributed about half of the company's sales rise in the nine months. The balance of the improvement was due to a higher rate of operation in practically all of the mills and plants of St. Regis. The company will surpass by

(Please turn to page 222)



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BUCHANAN, MICHIGAN

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## QCF INDUSTRIES INCORPORATED

### Preferred Dividend No. 195

A dividend of 6½¢ per share on the \$50.00 par value 5% cumulative convertible preferred stock of this Corporation has been declared payable December 1, 1955 to stockholders of record at close of business November 15, 1955.

### Common Dividend No. 144

A dividend of \$1.00 per share on the common stock of this Corporation has been declared payable December 15, 1955 to stockholders of record at close of business December 1, 1955.

C. ALLAN FEE,  
Vice President and Secretary  
October 27, 1955

## American INVESTMENT COMPANY OF ILLINOIS

### 100<sup>TH</sup> CONSECUTIVE DIVIDEND

A regular quarterly dividend of 50 cents a share will be paid on the common stock December 1, 1955 to stockholders of record November 15, 1955.

This represents a 25 percent increase over the previous common stock dividend.

HARRY W. HARTLEY  
Vice Pres. & Treas.

October 24, 1955

Financing the Consumer through nation-wide subsidiaries—principally:



Public Loan Corporation  
Domestic Finance Corporation  
Loan Service Corporation  
Ohio Finance Company  
General Public Loan Corporation

## What 3rd Quarter Earnings Reveal

(Continued from page 221)

a wide margin the \$200-million sales level attained in 1953 and 1954. It also is likely to eclipse the \$16,156,903 net registered in 1953. Net last year fell to \$14,930,000 as prices of its products failed to reflect the upward trend of costs. The better price structure that now prevails accounts for the improvement in profits. In addition, output of St. Regis, in common with the balance of the industry, is at the highest level in the history of the industry with no letup in sight.

RADIO CORP. OF AMERICA sales for the three months ended September 30 jumped 17% from the year-ago period to establish a new high, yet earnings were only slightly higher. Television—manufacturing, servicing and telecasting—accounts for 52% of the company's business and set-making is a highly competitive field, marked by price-cutting and public preference for low-priced units. In addition, color TV receivers have failed to sell in substantial volume, although the company expects this product will "break through" before Christmas. For the latest quarter, sales of products and services amounted to \$252,112,000, against \$215,976,000 a year ago. Net profit of \$8,934,000 was equal to 58 cents a common share, compared with \$8,829,000 and 54 cents a share in the 1954 quarter. Sales for the nine months totaled \$740,662,000, a rise of 12% from the like 1954 period and the largest nine-month volume in RCA history. Net for the latest nine months was \$30,995,000, equal to \$2.04 a share, compared with \$27,557,000, or \$1.80 a share in 1954. The company appears well on its way to its first billion-dollar volume. Translating a larger percentage of gross into net depends on the sizable task of obtaining higher prices for its appliances. This is a field in which manufacturers, increasingly, are feeling the "squeeze" of higher materials, labor and promotional costs, with little chance to recapture more than a fraction of the increment. RCA's wide range of products and services, its vital stake in com-

mercial and military electronics, and its aggressive research, of course, give it substantial advantages over most competitors. Its inventions and patents, made available in return for royalty payments, have provided an increasing source of income.

—END.

## Stocks With Hidden Assets

(Continued from page 199)

capacity. Although there is no gauge by which to measure the future of the titanium metal industry, it could well be, considering the great potentials of the metal, that the production of titanium ores and titanium metal will prove a highly important division of National Lead and contribute substantially to earnings as technological progress brings the cost of the metal down to where it is adaptable to the many civilian uses envisaged for it.

In studying other companies, the investor should make it a point to look for and weigh the potentials of their "hidden assets". As it has been said, some, while not given great prominence in a company's statement, are readily uncovered. Others may be buried under a brief reference or under a blanket description or a set of figures. Some times it requires a diligent search to find and then the ability to recognize them.

—END

## A Comparative Analysis of Two Leading Food Processors

(Continued from page 201)

its many other products continue to grow in importance. Among these is Campbell's Tomato Juice, brought out in 1932, and now one of the leaders in this highly competitive field; Campbell's Pork and Beans, originally introduced in 1902, and which quickly became one of the best selling brands. Other popular Campbell products are "V-8" Cocktail Vegetable Juice, and the Franco-American line of canned spaghetti, macaroni, beef gravy, spaghetti sauce with meat, and two new Franco-American products, spa-

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ghetti with meat balls and spaghetti sauce with mushrooms, introduced late in the 1955 fiscal year.

It may be that Campbell in aiming at \$500 million in sales by 1960 will undershoot the mark. It announced this goal before the acquisition of C. A. Swanson & Sons, the largest producer of frozen precooked dinners and frozen meat pies, and one of the largest processors of poultry. Swanson, in its fiscal year ended February 28, 1955, had sales of \$91.7 million, and net earnings of \$2,272,000. Although it is the intention of Campbell to operate the 10 Swanson plants and continue producing canned and frozen foods under the Swanson label, the combination of Swanson products and Campbell's frozen soups will permit more efficient manufacturing, economies in purchasing and more effective marketing, the influence of which, together with Swanson's high sales volume as measured by fiscal 1955 figures, will be reflected in Campbell's fiscal 1956 net sales and net earnings.

#### Heinz and Campbell's Strong Finances

In acquiring all of the Swanson company's outstanding capital stock, Campbell gave up in exchange 641,000 shares of its previously authorized but unissued capital stock. This brought the number of shares outstanding at fiscal 1955 year-end to 10,667,065 shares. It closed that year without any indebtedness other than current liabilities, and increased shareowners' equity to \$215.9 million, up 22.5% from the end of the preceding year. Current assets, including \$63.7 million in cash and Government securities, totaled \$190.5 million, which was \$141 million greater than current liabilities of \$49.5 million.

The Heinz company at its 1955 fiscal year-end had outstanding \$21.3 million in promissory notes, 83,997 shares of 3.65% cumulative preferred stock and 1,688,897 shares of common. Current liabilities, including that portion of promissory notes due in one year, amounted to \$24.4 million, contrasting with current assets of \$110.3 million, of which \$8.5 million was in cash and \$16 million in net accounts receivable.

Both Heinz and Campbell have long dividend records, the former

having made payments on its common stock in every year since 1911, while Campbell and its predecessor has paid cash dividends without interruption since 1902. At the present time, Heinz company's distributions are being made at \$1.80 annually which on the current price of its stock, around 56, yields 3.2%. At its present price, Heinz common is selling  $4\frac{1}{2}$  points under its 1955 high, and  $16\frac{1}{2}$  points above this year's low of  $39\frac{1}{2}$ . Campbell is paying dividends at this time at the rate of \$1.50 per annum to yield 3.6% on the current market price of  $41\frac{3}{8}$ . Since its listing on the New York Stock Exchange in late 1954, the stock has moved within a price range of roughly 7 points or a high of  $44\frac{1}{4}$  and a low of  $37\frac{3}{8}$ . Both stocks may be held for long-term investment.

—END.

#### 10 Leaders In Automation

(Continued from page 204)

The company, in 1954, spent \$8,677,400 for expanded operations and improvements, including acquisition of Heiland Research Corp. of Denver and Doelcam Corp. of Boston. Capital additions, totaling \$1,204,000, were authorized for this year. Sales last year soared to \$229,402,000 and net profit to \$15,345,000 from the \$214,019,000 and \$10,330,000 a year earlier. For the first half of this year sales and net outran even the record pace of 1954. Honeywell produces more than 9,000 different automatic control devices and systems. It is believed to be the world's largest producer of such automated products. The \$1.50 indicated payout for the year offers a moderate yield.

Monarch Machine Tool Co. has confined itself over the past 45 years largely to building lathes and, in the process, has grown to be an outstanding manufacturer of this particular type of machine. The company, for some time, has been seeking an additional product. In the postwar period, shipments were boosted from less than \$15 million in 1945 to a peak of \$32 million in 1953. From the high achieved at the time of the Korean War, Monarch hit the

(Please turn to page 224)

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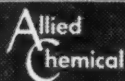
PRODUCTS CORPORATION



#### DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock, payable on December 1, 1955, to stockholders of record on November 10, 1955. The transfer books will not close.

PAUL C. JAMESON  
October 28, 1955 Treasurer



The following dividends have been declared on the Common Stock of Allied Chemical & Dye Corporation:

Quarterly dividend No. 139 of \$.75 per share, payable December 9, 1955, to common stockholders of record at the close of business November 10, 1955.

Special stock dividend at the rate of one share of common stock for each twenty shares of common stock outstanding, payable December 15, 1955, to common stockholders of record at the close of business November 10, 1955.

R. F. HANSEN, Secretary  
October 25, 1955.



## THE TEXAS COMPANY

**—213th—**  
**Consecutive Dividend**  
**and Extra Dividend**

A regular quarterly dividend of ninety cents (90¢) per share and an Extra dividend of one dollar and ten cents (\$1.10) per share on the Capital Stock of the Company have been declared this day, payable on December 10, 1955, to stockholders of record at the close of business on November 4, 1955.

The stock transfer books will remain open.

S. T. CROSSLAND  
Vice President & Treasurer  
October 28, 1955

## UNION CARBIDE AND CARBON CORPORATION

UCC

New York, October 24, 1955—the Board of Directors of Union Carbide and Carbon Corporation has today declared a quarterly dividend of 75¢ per share and a SPECIAL DIVIDEND of 50¢ per share, total \$1.25 per share, on the outstanding capital stock of the Corporation, payable December 1, 1955 to stockholders of record November 4, 1955. The last dividend was 75¢ per share paid September 1, 1955.

Payment of this dividend on December 1st will make a total of \$3.00 per share paid in 1955. This compares with a total of \$2.50 per share paid in 1954.

KENNETH H. HANNAN  
Vice-President

## 10 Leaders In Automation

(Continued from page 223)

skids in 1954, when sales totaled little more than \$18 million. Its troubles worsened this year, when losses were sustained and a protracted strike crippled operations. Incoming business, however, was at a lively pace this summer as the walkout ended and Monarch's backlog was at record peacetime levels. The company has continued to pay the 30 cents quarterly despite the recent reverses, but there is little likelihood that the extra paid at the close of last year will be duplicated in 1955. Selling around 20, the stock is priced to yield 6%.

Mesta Machine Co. has an enviable record in an industry considered highly sensitive to cyclical influences. The company long has been a specialist in production of heavy steel mill equipment, while its output of gas and steam engines, presses, forgings and castings is in demand by numerous industries. Its equipment, of course, always has been important to the military establishment. Mesta has a record of paying some dividend in each year since 1914. Currently paying \$3 and selling around 45, the yield is unusually liberal. In common with other companies in the field, however, earnings showed considerable shrinkage in the first half of 1955. The second half is expected to reveal considerable improvement. Mesta should derive major benefits from the expansion and modernization program of the steel industry.

Sperry Rand Corp. grew out of the merger on July 31 of Remington Rand and Sperry Corp. The Remington Rand division makes electronic computers comparable to the IBM line. Sales and rentals of this division in 1955 were sharply ahead of the first six months of 1954. A construction program is underway to expand a research laboratory and light manufacturing plant for computers. Sperry is a foremost developer and manufacturer of instruments and controls, electronic equipment and other products for industry and defense. —END

## Our Water Supply — Vital Economic Factor

(Continued from page 183)

loss of life, let alone the suffering to countless communities, has pointed up the need for effective flood control, not only in New England but in others parts of the country where the need is manifest.

In time, all this will be done. Perhaps flood control will, indeed, be speeded up as a result of the vigorous demand for relief from the recently affected communities. Over the years, billions of dollars will have to be expended to secure these objectives. This means added demand for the products of many industries. Some companies which will be beneficiaries of this added demand have been listed in the accompanying table. This is by no means an exhaustive list, and, literally thousands of companies will share in this new business. Investors could pursue this field of inquiry with benefit.

But, basically, most of this type of business will go to companies which supply the equipment for adding to our fundamental water resources. These are caught up in activities relating to well-digging; construction of reservoirs; piping; storing; irrigation; and purification systems; and hydroelectric developments.

Some day, to boot, a way will be found to utilize seawater for ordinary human use as well as for industrial use. When that day arrives, every branch of industry which has anything to do with manufacturing equipment for the utilization of water will be enormously stimulated, for it will involve not only endless demand for this equipment from our own people but from all the nations on earth which for centuries have been grappling with this problem.

In the meantime, it would prove a useful field of inquiry for investors to become acquainted with the various types of companies which are significantly affected by water resource developments in this country. The table which accompanies this article gives a list of some of the more important companies engaged in these activities. —END

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### Market Advice:

In a market that grows increasingly selective, highlighted by issues that have tripled and quadrupled in price, a policy of caution is emphasized. An easy-money policy, which long has served as a prop under the market, now is being sharply altered. Moreover, booms have a habit of over-extending themselves. Ample cash reserves should be maintained. Profit-taking, at least in part, in issues that are approaching excessive valuations is recommended. Speculative holdings should be weeded out.

While nobody could foresee President Eisenhower's illness—we again demonstrated our ability to recognize growing market vulnerability and to protect our subscribers in advance, by:

(1) carrying only strong dividend-payers, (2) taking partial profits at higher levels, (3) deferring new recommendations, (4) urging sale of speculative issues.

### 448 POINTS PROFIT AVAILABLE

While the 15 stocks we advised subscribers to retain through the decline are somewhat below their highs—they show profits of 448 points from our original buying prices (one-half profits were taken at higher prices on 3 issues). Among many letters of appreciation received is one dated October 24, stating:

*"My list held up well, unusually well, in the recent correction. This is true because I have sought your judgment frequently—received it generously—and followed it uniformly. I am very grateful."* C. G. Oakland, Calif.

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## PHELPS DODGE CORPORATION

The Board of Directors has declared a fourth-quarter dividend of Seventy-five Cents (75¢) a year-end extra dividend of per share, payable December 9, 1955 to stockholders of record November 18, 1955; also One Dollar and Thirty Cents (\$1.30) per share payable January 6, 1956 to stockholders of record December 16, 1955.

This makes total dividends declared in 1955 of Four Dollars (\$4.00) per \$12.50 par value share.

M. W. URQUHART,  
Treasurer.

November 3, 1955

## CROWN CORK & SEAL COMPANY, INC.



PREFERRED DIVIDEND

The Board of Directors has this day declared the Regular Quarterly Dividend of fifty cents (50¢) per share on the \$2.00 Cumulative Preferred Stock of Crown Cork & Seal Company, Inc., payable December 15, 1955, to stockholders of record at the close of business November 15, 1955.

The transfer books will not be closed.

WALTER L. McMANUS, Secretary  
October 27, 1955

## RIO GRANDE VALLEY GAS COMPANY

Brownsville, Texas

### DIVIDEND No. 30

A year-end dividend of five cents per share on the outstanding common stock of this corporation has been declared payable December 16, 1955, to stockholders of record at the close of business November 14, 1955.

W. H. MEREDITH,

November 1, 1955

Treasurer



## DETROIT STEEL CORPORATION

### DIVIDEND NOTICE

The Board of Directors, on October 25, 1955, declared a cash dividend of 25 cents a share on outstanding common stock payable December 15, 1955, to stockholders of record at the close of business December 1, 1955.

R. A. YODER  
Secretary-Treasurer

## Answers to Inquiries

(Continued from page 213)

852,427, equal after deducting preferred dividend requirements, to \$4.55 per share on the 588,565 shares of class A and B stocks outstanding. For the 9 months ended September 30, 1954, net income was \$1,784,673, equal after preferred dividends to \$3.23 per share on the 463,838 shares then outstanding.

Operations in the third quarter of 1955 continued at very satisfactory levels with respect to both production and sales. For the three months ended September 30th last, sales were \$6,525,866 compared with \$6,018,039 in the same period of 1954. Net income was \$1,004,529, or \$1.61 per share on 588,565 shares, after deducting preferred dividends, against \$694,379, or \$1.29 a share on 463,838 shares in the third quarter of 1954. Earnings in the 1954 period include \$148,000 of non-recurrent income after taxes from the sale of housing at company's Trona plant. Construction of the \$6,100,000 lithium chemical plant of American Lithium Chemicals, Inc. at San Antonio, Tex., is now scheduled for completion late this November, approximately a month ahead of the original target date. American Potash holds a 50.1% interest in American Lithium Chemicals, Inc.

The line of organo-boron compounds which the company is developing through its research program is creating broad trade interest, according to company officials.

Cash dividends of \$2.37½ plus 4% in stock have been declared for the current year.

### National Gypsum Company

"I am interested in securing latest earnings and other data on National Gypsum Co. As a subscriber to your publication, I would appreciate receiving this information promptly."

D. W., Port Huron, Mich.

National Gypsum Co. is the second-largest producer of gypsum building materials and it has a better than average growth record, as typified by its aggressive expansion policy. With the continuing higher level of residential construction, 1955 sales may reach a new peak for the 6th consecutive year. New products, cost reductions will aid earnings.

Sales and earnings of National Gypsum Co. for the first 9 months of 1955 reached new highs for the period. Earnings for the three quarters totaled \$12,187,360, equal to \$3.64 per common share on the 3,255,890 shares now outstanding. This was up from \$3.36 per share on 2,727,670 shares outstanding in the comparable period last year. The earnings rose 28% over the \$9,490,780 in the nine-month period last year. Sales rose to \$110,310,789 in the 9-month period, compared with \$93,543,039, an increase of 18% over the same period in 1954.

Almost all of the company's 36 plants operated at capacity during the entire 9-month period. Production of National Gypsum's new gypsum products plant and mine at Shoals, Ind., opened last summer, added to the increased volume. Earlier this year, the company completed large-scale expansion at its New York City and Baltimore gypsum plants. The increased production of these plants, now supplied with gypsum rock from the company's new Nova Scotia quarries, also added to the increased volume.

The additional facilities and increased productivity helped boost the company's sales volume. The substantial backlog of orders is being carried into the last quarter and indications are that the plants will continue to operate at capacity. The company is in the midst of a 5-year, \$75,000,000 expansion program. Production of four new plants due to be completed next year will be absorbed.

Cash dividends of \$2.00 a share plus 2% in stock were paid in the current year.

### Beech Aircraft Corp.

"As a subscriber to your magazine for the past 3 years, I would appreciate receiving recent earnings data on Beech Aircraft Corp. and also outlook for the company."

D. P. Erie, Pa.

Beech Aircraft Corp.'s total sales for the fiscal year to Sept. 30, 1955 were in excess of \$76 million and net earnings are estimated at over \$4.75 per share of the present stock, after taxes. The company anticipates equally satisfactory progress over coming months. As of Sept. 30th, backlog of orders for commercial and military aircraft amounted to more than \$63 million. Firm orders for new 1955 commercial Beechcrafts indicate that calendar year sales

(Please turn to page 228)

## He brought snow to New Guinea



DECEMBER 24, 1944. The captured, rebuilt airstrips bake under a blazing sun. No breeze stirs the kunai grass. The dim, weather-stained notice clinging to the mail-room door tells you Jap subs sank the ship carrying Christmas packages.

If you punch two buttons on the walkie-talkie at the same time, you can tune in the Jungle Network. The song you hear is a favorite all over the Pacific. It seems to bring you home.

"I'm dreaming of a white Christmas..."

The man who wrote that song is an expert at cheering up troops. In 1918, Private Irving Berlin wrote his first all-soldier show, in 1942 his second: "This Is The Army," with which he toured almost every theater of war. Berlin is also an expert at coming up the hard way. Immigrant to America at 5, on his own at 19, his first song earned just thirty-three cents. But Berlin kept trying; never lost faith in himself or his opportunities.

His hard-working, confident drive is a trait Americans set great store by. And Americans have a lot of it. Which helps account for the fact that our country's Savings Bonds are one of the finest investments in the world.

For the drive of 165 million Americans stands behind these Bonds.

That's why it's such a sound idea for every American—for you—to invest regularly in United States Series E Savings Bonds, and hold on to them.

Copyright 1942, Irving Berlin.

It's actually easy to save money—when you buy Series E Savings Bonds through the automatic Payroll Savings Plan where you work! You just sign an application at your pay office; after that your saving is done for you. The Bonds you receive will pay you interest at the rate of 3% per year, compounded semiannually, when held to maturity. And after maturity they go on earning 10 years more. Join the Plan today. Or invest in Bonds regularly where you bank.

*Safe as America—U.S. Savings Bonds*



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## AMERICAN-Standard

### PREFERRED DIVIDEND COMMON DIVIDEND

A quarterly dividend of \$1.75 per share on the Preferred Stock has been declared, payable December 1, 1955 to stockholders of record at the close of business on November 23, 1955.

A quarterly dividend of 35 cents per share on the Common Stock has been declared, payable December 15, 1955 to stockholders of record at the close of business on November 23, 1955.



AMERICAN RADIATOR & STANDARD

SANITARY CORPORATION

FRANK J. BERBERICH

Secretary

## AMERICAN & FOREIGN POWER COMPANY INC.

7000 RECTOR STREET, NEW YORK 6, N. Y.

### COMMON DIVIDEND

The Board of Directors of the Company, at a meeting held this day, declared a quarterly dividend of 15 cents per share and a year-end dividend of 15 cents per share on the Common Stock for payment December 9, 1955, to the stockholders of record November 10, 1955.

H. W. BALGOOVEN,

October 28, 1955 Vice President and Secretary

## DREWRY'S

A quarterly dividend of forty (40) cents per share for the fourth quarter of 1955 has been declared on the common stock, payable December 10, 1955 to stockholders of record at the close of business on November 25, 1955.

Drawrys Limited U. S. A., Inc.  
South Bend, Indiana

T. E. JEANNERET,  
Secretary and Treasurer



## CONTINENTAL CAN COMPANY, Inc.

A regular quarterly dividend of ninety-three and three-quarter cents (\$.93 3/4) per share on the \$3.75 cumulative preferred stock of this Company has been declared payable January 3, 1956, to stockholders of record at the close of business December 15, 1955.

LOREN R. DODSON, Secretary

## Book Manuscripts Invited

If you are looking for a publisher, send for our free illustrated booklet titled *To the Author in Search of a Publisher*. It tells how we can publish, promote and distribute your book, as we have done for hundreds of other writers. All subjects considered. New authors welcomed. Write today for Booklet WF. It's free.  
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In Calif., 6233 Hollywood Blvd., Hollywood 28  
In Washington, D. C., 1710 Vermont Ave., N. W.

## 34 Non-Dividend Payers

—Which Can  
Resume or Initiate  
Dividends?

—To appear in Nov. 26 Issue

## Answers to Inquiries

(Continued from page 226)

this year will exceed the record-breaking total established by company's complete line of commercial planes during 1954. The continuing military production is being augmented by new contracts.

The company declared a stock dividend of one-fourth share for each share of the presently issued and outstanding total of 600,000 shares of \$1.00 par value of the common stock of the corporation, and declared the third quarterly cash dividend of 30¢ per share, such cash dividend to apply also to the 150,000 shares of dividend stock. The stock and cash dividends were paid August 24, 1955, to stockholders of record August 1, 1955. Fractional shares will be settled by order form procedure. Total of cash dividends declared thus far this year now amount to \$1.20 per share. Full year 1954 dividends including an extra totaled \$1.25 per share.

On May 6th the company completed payments to retire in its entirety the \$7 million loan agreement established on July 20, 1954.

## Mueller Brass Company

"Please submit recent earning data of Mueller Brass Co. and also outlook for the company."

S. W., Los Angeles, Cal.

Mueller Brass is a copper and brass fabricator. Its pipe, tubing and fittings are used mainly in the plumbing, heating, refrigerating, air conditioning and automobile trades. Expansion in aluminum and plastic pipe enhances the outlook.

Both sales and earnings for the quarter and for the first nine months of the current fiscal year are running ahead of the like periods of last year. The 1955 figures, however, include operations of Sheet Aluminum Corp., which was acquired in August, 1954.

The shortage of copper, which had restricted operations earlier in the year, became more acute during the third quarter when a prolonged strike closed the facilities of the major copper pro-

Net sales (unaudited) for the three months ended August 31, 1955, amounted to \$17,866,273 as compared with \$12,808,964 in the same period last year.

Earnings, before taxes, for the three month period amounted \$1,543,671 against \$1,076,653 in the corresponding period of 1954. After provision for estimated taxes, net earnings amounted to \$724,271, equal to \$1.30 per share on the 555,608 shares outstanding. This compares with net income of \$518,187, or 96¢ per share, on the 540,958 shares outstanding during the third quarter of 1954.

During the nine months ended August 31st, net sales amounted to \$49,865,479 as compared with \$37,059,830 in the same period last year.

Earnings before taxes for the nine month period amounted to \$3,821,028 as compared with \$3,372,338 in the corresponding period the year before. After provision for estimated taxes, net earnings totaled \$1,789,649, equal to \$3.22 per share. This compares with net income of \$1,618,802, or \$2.99 per share in the first nine months of the previous year.

Current quarterly dividend is 40¢ per share.

—END

## As I See It!

(Continued from page 173)

to ever-widening circles of the population, but a weakening of the moral fibre of the people themselves.

Many warnings have been given to the effect that if a stop is not made to socialistic demands on the Treasury, sooner or later we face the danger of the permanent Welfare State, and, thereby, the end of freedom and independence. Surely, this is too great price to pay.

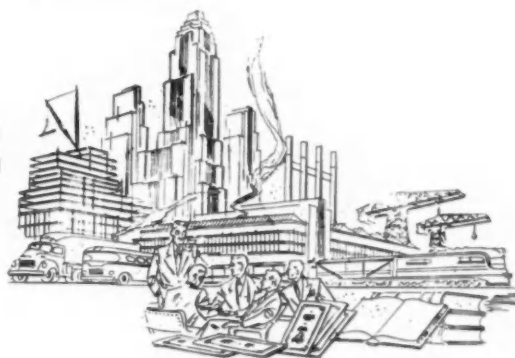
Perhaps it is not an exaggeration to say that next to the prime enemies of this nation—the communists—are those among us who are essentially sabotaging the American way of life by their remorseless pressure to evolve a paternalistic form of government in the United States. We should not take this situation lightly for it contains the seeds of great mischief for the people, decay of their independence, and, perhaps, even ultimate ruin of our free enterprise.

—END

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- ★ BUT, to accomplish this, you will need the help of unceasing investment research as carried on by our expert staff—plus the constant protection and advantages of personal supervision of all your securities as provided by INVESTMENT MANAGEMENT SERVICE.
- ★ We have a long and successful record of service to practical, profit-minded investors throughout the U. S. and abroad—many of whom have renewed steadily for 5, 10, 15, 20 years and longer on the basis of results attained for them.
- ★ If, for any reason, you are not thoroughly satisfied with your own results—with the present quality of your portfolio—the income your investments are providing—or their growth potentials, looking to 1956 . . . you owe it to yourself to investigate our Service.
- ★ Without obligation, we should be happy to send you full information on our Service. Since our fees are based on the current value of the securities and cash to be supervised—please tell us the present worth of your holdings—or list them for our prompt evaluation, so we can quote you an exact annual fee. Tell us your personal objectives and ask any questions you would like us to answer—so our letter can be as specific as possible.

## INVESTMENT MANAGEMENT SERVICE

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## What goes up in a puff of smoke?

When a smoker buys a pack of cigarettes, he simply acquires the means for making puffs of smoke.

Naturally, he wants to get his money's worth. Every puff should taste great . . . rich, fresh, clean and mellow. And every puff should taste just the same as every other puff.

Lucky Strike gives him such enjoyable puffs largely because the scientists in the Research Laboratory of The American Tobacco Com-

pany know so much about puffs of smoke.

Every day a laboratory smoking machine takes hundreds of puffs on hundreds of Luckies. The smoke is then broken down chemically and examined. By this method the scientists make sure not only that Lucky puffs contain the enjoyable elements but that they contain them always in the same quantity. This is one of many excellent reasons why Lucky Strike is the cigarette of matchless quality.

*The American Tobacco Company*

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